Austria	Sch30	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.900	Israel	Shk4.00	Philippines	Peso40
Belgium	BFr60	Italy	L2200	Poland	Zl 11,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc185
Denmark	DKr13	Korea	Won 2500	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR9.00
Finland	FM8.00	Lebanon	L£1,000	Singapore	S$4.10
France	FFr7.50	Lux	LFr60	Spain	Pta175
Germany	DM3.00	Malaysia	M$4.25	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft120	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh6.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,385

Thursday February 21 1991

D 8523A

CALIFORNIA
The dry state
Page 6

World News

US proposes cutting its dependency on oil imports

Far-reaching proposals to increase US domestic energy production, in order to reduce dependence on imported oil, were proposed by the Bush administration. Page 14

Statue toppled

Police fired warning shots as a jubilant pro-democracy crowd toppled the giant bronze statue of Communist Albania's founder, Enver Hoxha, that had long dominated the heart of Tirana. Page 4

HK airport delay

Hong Kong is about to abandon plans to open a new international airport just before the territory returns to Chinese sovereignty in 1997. The airport may be opened a year later instead. Page 3

Shipworkers protest

Tens of thousands of angry workers demonstrated in a dozen towns against the threatened closure of east German shipyards. More than 20,000 marched through the Baltic port of Rostock.

Tejero stays in jail

A Spanish judge ruled that Antonio Tejero, the former colonel who fired shots in parliament and held deputies at gunpoint in a 1981 coup attempt, must stay in jail.

Apartheid apology

A South African government minister apologised for 40 years of racial discrimination. Deputy foreign minister Leon Wessels said: "Apartheid was a terrible mistake that blighted our land."

IRA murder charges

Four alleged Irish Republican Army guerrillas went on trial in Roermond, Netherlands, amid tight security, charged with murdering two Australian tourists mistaken for British soldiers.

De Maizière cleared

Chancellor Helmut Kohl's Christian Democrats said that former East German prime minister Lothar de Maizière had been cleared of allegations of spying.

Yeltsin accused

Conservatives in the Soviet parliament accused Russian Federation president Boris Yeltsin of declaring civil war with his appeal to Mikhail Gorbachev to resign. Page 4

Policewoman shot

A French policewoman was shot dead while sitting in a patrol car, the first fatal shooting of a woman officer since they were admitted to the Paris police force in 1975.

Row over king

The Greek Justice Ministry ordered an inquiry into shipment of nine containers of goods from former King Constantine's summer palace to Britain. The incident has caused a public row.

Cholera toll mounts

The death toll from the cholera outbreak spreading across Peru rose to 115. Health officials expect the epidemic to continue for two months.

Georgian ultimatum

The Supreme Soviet gave Georgian lawmakers three days to end a separatist conflict within the republic or face a state of emergency. Page 4

Indian clash kills 15

At least 15 people were shot dead when supporters of a radical Indian political party clashed with a private army hired by rich landlords in eastern Bihar.

Yachtsman safe

Veteran South African sailor Bertie Reed rescued fellow countryman John Martin, overall leader in the single-handed round-the-world yacht race, from his sinking maxi-racer in a gale off Cape Horn.

Business Summary

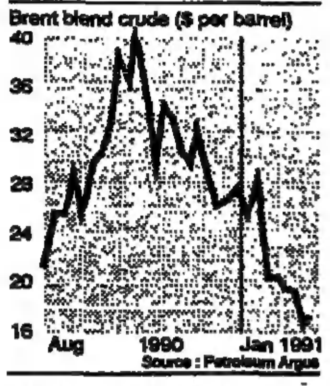
US recession 'will be less severe than previous ones'

US recession is likely to be "shorter and shallower" than most previous post-war downturns, said US Federal Reserve chairman Alan Greenspan.

He expressed cautious optimism that substantial recent cuts in interest rates would revive US economic growth later this year. Page 14

OIL: crude price recovered by 50 cents with North Sea Brent crude for April delivery trading at $17.30 a barrel as the market took its direction from the news about the progress of the Soviet peace proposals.

Oil price



The fall is worrying the Organisation of Petroleum Exporting Countries which is to meet to try to stem it. Page 2

MARKETS: New York: Interest rate fears sparked a sustained morning sell-off and by 1.30pm the Dow Jones Industrial Average was 28.96 lower at 2,903.22. Tokyo: Nikkei average closed with a small gain of 31.81 at 26,198.79. Paris: CAC 40 index down 7.86 to 1,698.07. Frankfurt: the DAX closed 19.81 lower at 1,567.82. Back Page Section II

EUROPEAN Commission paved the way for life insurers to sell services and establish branches in all EC countries. Page 14

OLYMPIA & York, real estate developer, is to receive C$420m ($365m) in dividends from a subsidiary which sold its stake in UK food and drinks group Allied-Lyons. Page 18

SKOPBANK, commercial and central bank for Finland's 150 savings banks, said consolidated profit fell in 1990 by 17.7 per cent. Page 16

GEEST, fresh produce group, wants to buy Del Monte Tropical Fruit if Polly Peck International's administrators offer it for sale. Page 16

LLOYDS Abbey Life, life assurance and financial services arm of Lloyds Bank, reported pre-tax profits of £318.9m ($631.4m) and exceeded optimistic forecasts. Page 16. Lex, Page 14

ROYAL Dutch/Shell, Anglo-Dutch oil group, showed a drop of 16 per cent in its earnings for the full year to £3.01bn ($5.95bn) from £3.58bn. in 1989. Page 15. Lex, Page 14

RHONE-Poulenc, French state chemicals group, saw profits fall by two thirds last year as the declining dollar cut earnings from North American subsidiaries. Page 15

SOVIET government agreed emergency measures to pump Rbs25bn of extra investment into its ailing oil industry this year. Commodities, Page 24

UNITED Technologies, diversified engineering group, said its Pratt & Whitney aero-engine business expects to cut up to 1,500 jobs. Page 18

NORDBANKEN, Sweden's second largest commercial bank group, reported a pre-tax profit of SKr1m ($180m) for 1990, down from SKr3.2bn. Page 15

FANUC, Japanese machine tool equipment maker, dropped plans to take a 40 per cent stake in Moore Special Tool, US precision tool company, following pressure from US Congress members. Page 7

Soviet diplomats cautious about chances for peace initiative

Allies intensify attacks

By **Victor Mallet** in Riyadh, **Peter Riddell** in Washington, **John Lloyd** in Moscow and **Robert Graham** in London

ALLIED probing attacks in preparation for a full-scale ground offensive to liberate Kuwait intensified yesterday as Iraq continued to adopt an ambiguous stance towards tough Soviet proposals to achieve a withdrawal.

The door for diplomacy was kept ajar as both sides in the Gulf conflict weighed the momentous consequences of an allied land battle. But Soviet diplomats appeared increasingly cautious about the chances of success for their initiative.

Mr Tariq Aziz, Iraqi foreign minister, handed the Soviet proposals to President Saddam Hussein late on Tuesday after returning from Moscow via Tehran. Despite being pressed both by the Soviets and by the US for a rapid response, it was still unclear if and when Mr Aziz would return to Moscow.

The increasing tempo of fighting on the ground was highlighted when four US helicopters forced some 500 Iraqi troops to surrender during a raid on a network of Iraqi bunkers north of the Saudi border.

Allied forces also continued their air attacks on targets in Iraq and Kuwait and started to hit front-line Iraqi positions with artillery in preparation for a possible offensive – although one British officer yesterday described the artillery raids as "pinpricks" compared to the barrage that could signal a full-scale assault.

"The border is broadening," said a US officer yesterday when asked if allied ground forces were crossing the frontier.

Bomb toll: An Iraqi street seller in the centre of Baghdad sits amid the aftermath of allied air raids

Two Apache and two OH-58 helicopters destroyed between 13 and 15 Iraqi bunkers, and hundreds of Iraqis gave themselves up in what Brig-Gen Richard Neal, the deputy director of US Central Command, called "an unexpected surprise". Chinook transport helicopters were sent into Kuwaiti territory to ferry the prisoners to Saudi Arabia.

Allied commanders were quick to interpret the surrender of such a large number of troops as a further sign of crumbling morale after more than a month of sustained aerial bombardment.

The sagging morale of Iraqi troops has also been increasingly evident far away from battle zones with Turkish authorities reporting that more than 500 crossed the Iraqi-Turkish border in the past week making a total of 773 since the August invasion of Kuwait.

The cross-border engagement was one of several aggressive operations by the multinational alliance designed to show Mr Saddam he could expect no breathing space until he began an unconditional withdrawal from Kuwait.

The hard line was reflected

Continued on Page 14
Gulf reports, Page 2

Baghdad braced for allied ground assault

By **Lamis Andoni** in Baghdad

IRAQ'S leadership was last night bracing itself for a ground assault by the allied forces at any moment, while still considering its response to the Soviet initiative aimed at ending the Gulf war.

Over the past 48 hours, the Iraqi press and radio have been systematically preparing the population for the land war. Newspaper editorials and radio commentaries were clearly aimed at boosting the morale of the people and preparing them for "big sacrifices".

"We are awaiting the grand battle that President George Bush and his allies have been threatening us with. They will discover that a big shock is awaiting them that will shatter their dreams and goals", one newspaper said. It was not clear if the newspaper was hinting at the possible use of chemical weapons or whether it reflected confidence in the army's ability to beat off an offensive.

Despite the warnings of the media, an Arab diplomat said yesteday that the door had not been closed on a political solution. Analysts in Baghdad did not expect the Iraqis to reject the Soviet initiative outright, unless the allies launched the ground offensive before Baghdad had made its response to Moscow.

They believed the Iraqi response would be cautiously positive. Baghdad, they said, might attach observations and reservations to the Soviet initiative to ensure that its interests were being taken into consideration. Other analysts, however, said Baghdad could not be expected to accept any proposals that excluded the main principles contained in last Friday's offer of a conditional withdrawal from Kuwait.

They added that the Soviet proposal would be taken more seriously in Baghdad if Moscow succeeded in establishing some linkage, at least in principle, between the Gulf crisis and the Palestinian problem and also addressed Iraq's economic situation and its security concerns in Kuwait.

Diplomats say that Iraq will not take the risk of pinning all its hopes on the Soviet initiative. They added that since the war started, Baghdad had learned the bitter lesson that it must first and foremost depend on its own capabilities.

The Iraqis have been heartened by the positive reaction of some European countries to the Soviet initiative. They continue to hope that the Soviet initiative will break the US-led alliance but remain sceptical that the European governments will be ready to split the coalition and take a line independent from Washington. At the same time, they do not want to be seen as the party which undermined efforts to end the fighting.

Meanwhile the press and radio stressed that the expected the land battles would be decisive and costly. "We are approaching the great duel, the mother of all battles", the newspaper Jumahouriah said.

In its main political commentary Radio Baghdad also called on the Iraqis to prepare themselves for the big battle. "This will be the chance for the free people in the world to end the hegemony of the imperialists and the capitalists", it said, invoking the revolutionary rhetoric of the ruling Ba'ath party in the 1970s.

Meanwhile in the Amariyah district of Baghdad where allied missiles hit a shelter last week killing hundreds of civilians, victims' families vowed to avenge the deaths.

SAS approached by TEA over partnership bid for Sabena

By **John Burton** in Stockholm and **Paul Betts** in London

SCANDINAVIAN Airlines System (SAS) has been approached by Trans European Airways (TEA), the Belgian charter airline group, to make a joint bid for Sabena, the troubled Belgian state-controlled flag carrier.

The move is aimed at countering rival proposals by British Airways and American Airlines to establish close partnership ties with Sabena.

Mr Jan Carlzon, the SAS president, said yesterday that TEA, which wants to become a scheduled carrier, had proposed that SAS support a bid for 51 per cent of the voting rights and 45 per cent of the equity in Sabena through an investment company, TEA Invest. SAS would have a 25 per cent stake in the new investment company.

Mr Pierre Godfroid, Sabena's new chairman, indicated last week that the Belgian carrier and BA had revived their attempt to form a strategic alliance to create a new European airline hub in Brussels.

Both BA and Sabena said that no firm agreement between the two airlines was likely to be reached soon, although Mr Godfroid said he was negotiating "a very concrete proposal" for a strategic link with BA. But Mr Carlzon said yesterday that some political opposition had recently emerged over a proposal to link BA to a restructuring of the financially ailing Belgian flag carrier.

- **The EC approved measures to help airlines bear the extra costs caused by the Gulf war. Page 14**
- **Air France, the French state-owned airline, is to receive FFr2bn ($396m) in fresh capital. Page 4**

However, he emphasised it was still too early to say how SAS would respond to the TEA proposal.

Although SAS held collaboration talks with Sabena in 1987, a few months ago Mr Carlzon ruled out making an attempt to rescue the Belgian airline because of falling profits and mounting interest costs at SAS.

SAS, which recently announced a SKr3bn ($539m) cost-cutting programme, has been searching for an airline partner to give it access to a hub airport in central Europe.

Sabena is proposing a BFr32bn ($1.07bn) restructuring programme backed by the Belgian government.

Its plan to form a new joint venture airline with BA and KLM Royal Dutch Airlines collapsed at the beginning of this year because of Sabena's financial problems, its restructuring programme and growing reluctance on the part of BA to invest in a Sabena subsidiary.

The original deal involved BA and KLM investing in 20 per cent stakes each in the new joint venture airline.

BA and KLM have both continued to show interest in forging an alliance with Sabena. Mr Godfroid also confirmed last week he was still in negotiations with American Airlines.

Although BA still appears to be Sabena's preferred partner for any eventual strategic partnership, BA is now deep in its own restructuring programme.

EC accepts formula for negotiating farm trade reforms

By **William Dullforce** in Geneva

A BREAKTHROUGH clearing the way for a resumption of international trade talks came yesterday when the European Community accepted a formula for negotiating the reform of world farm trade.

Mr Rufus Yerxa, deputy US trade representative, described the ending of the impasse over agriculture as a very significant development.

Although a deal over farm reform was still a long way off, the US would no longer block continuation of the four-year exercise in trade liberalisation under the General Agreement on Tariffs and Trade (Gatt), he said.

After the breakdown of Gatt's Uruguay Round at the world trade ministers' meeting in Brussels in December, Mrs Carla Hills, US trade representative, said the US would not return to the negotiating table until it had received a clear signal that the EC was willing to negotiate a deal on farm reform.

US officials said later that a resumption of the round with some promise of progress was necessary for US president George Bush to seek before the March 1 deadline and extension of his "fast-track" negotiating authority from the US Congress. With the US unable to negotiate, the trade talks would run into the sand.

Mr Yerxa said that the president still had to decide whether to ask for an extension, but yesterday's development augured well for the request being granted by Congress, should he go ahead.

The breakthrough came when Mr Arthur Dunkel, Gatt's director-general, announced that participants in the talks on reductions in farm subsidies had agreed to achieve "specific binding commitments" in each of three areas – domestic supports, market access and export competition.

EC agreement to this objective had been insisted on by the US and the Cairns Group of 14 farm-exporting nations led by Australia during the consultations that Mr Dunkel had been conducting over the past 10 weeks.

Technical work on the reductions in farm subsidies would begin immediately, Mr Dunkel said. Governments were committed to address outstanding points at senior policy-making level.

Continued on Page 14

CONTENTS

British government searches for an honourable retreat

Margaret Thatcher called it her flagship. A senior member of the cabinet refers to it as an act of "fiscal vandalism". Prime minister John Major is preparing its demise. Poll tax has proved an expensive mistake. **Page 12**

MARKETS

STERLING
New York lunchtime:
$1.9475
London:
$1.9475 (1.952)
DM2.915 (2.9125)
FFr9.8925 (9.92)
SFr2.4925 (2.4975)
Y256.5 (256.75)
£ Index 94.2 (same)

GOLD
New York: Comex Apr
$366.1
London:
$364.125 (362.25)

N SEA OIL (Argus)
Brent 15-day Apr
$17.45 (+0.70)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.49725
FFr5.0905
SFr1.28
Y131.75
London:
DM1.497 (1.4925)
FFr5.08 (5.0625)
SFr1.2805 (1.28)
Y131.75 (131.5)
$ index 60.7 (60.5)
Tokyo close: Y131.33

US lunchtime rates
Fed Funds $7\frac{1}{4}$%
3-mo Treasury Bills:
yield: 6.083%
Long Bond:
$98\frac{15}{32}$
yield: 8.005%

STOCK INDICES
FT-SE 100:
2,296.6 (-15.6)
FT Ordinary:
1,826.2 (-12.3)
FT-A All-Share:
1,108.34 (-0.6%)
New York lunchtime:
DJ Ind. Av.
2,900.74 (-31.44)
S&P Comp
365.74 (-3.65)
Tokyo: Nikkei
26,198.79 (+31.81)

LONDON MONEY
3-month interbank:
closing 13-12$\frac{7}{8}$% (13)
Liffe long gilt future:
$82\frac{31}{32}$ ($93\frac{11}{32}$)

Post-war Iraq 'will remain a threat'

By David White, Defence Correspondent

IRAQ will still have the military power to strike at its smaller neighbours after the war, a former British commander in the Gulf warned yesterday.

"Iraq may be the only Moslem nation possessing real offensive capability," Air Vice Marshal Sandy Wilson, who commanded UK forces in the region following Iraq's invasion of Kuwait, told a seminar in London.

Even in the event of an unconditional surrender, Iraq would still retain outside Kuwait an army of 500,000 men with 2,000 tanks, 1,200 artillery guns and 4,500 armoured troop carriers, he said.

This is supposing that the Iraqis in Kuwait were forced to leave behind the remainder of their equipment, which was reckoned by now to have been 35 per cent destroyed.

Although Iraq's navy was reduced to a few patrol boats, the country would continue to possess a large and capable army and a "fairly potent and balanced" air force, including the "air force in waiting" now in neighbouring Iran.

It could be expected to retain some Scud missiles and chemical munitions.

Iraq's residual strength meant that an "adequate shield", probably including Egyptian and Syrian troops, would be needed to protect other Gulf states. Just how much was needed would depend on whether Iraqi troops were allowed to take their equipment with them from Kuwait.

Air Marshal Wilson, speaking at a seminar organised by the Royal United Services Institute, King's College London and and London School of Economics, said western ground forces should move out "as fast as they reasonably can."

But in addition to Arab forces, some US fighter aircraft might need to stay, the UK might send occasional RAF detachments and the US might keep one or two aircraft carrier groups in the region.

Following an Iraqi pullout, the US and Britain would also be required to maintain mine-clearance operations in the Gulf, he said. Sanctions against Iraq would be kept up in the short-term.

Among Iraq's neighbours, Iran had very limited offensive capability, although this was more than the smaller Gulf states and could be strengthened. Syria had well-equipped and trained troops – and Scud missiles – but its forces were predominantly defensive. Turkey was not well equipped for a large-scale offensive.

Bombs blast four embassies

BOMBS exploded at several western embassies in Tehran yesterday causing damage but no casualties, the Italian foreign ministry said, Reuter reports from Rome.

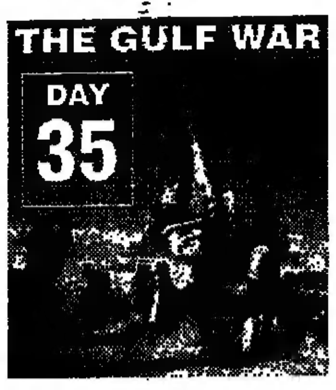
The bomb at the Italian embassy was thrown from the street and exploded on the roof. It broke a few windows.

The Italian news agency ANSA said bombs also exploded at the embassies of Britain, Turkey and Germany.

Four bombs exploded in the British embassy, causing some damage. The bombings were all carried out within a few minutes of each other.

Hurd urges Moscow to amend peace plan

By Robert Mauthner in London and Ian Davidson in Paris



BRITAIN said yesterday that it had suggested to the Soviet Union how its peace plan could be amended "to meet the requirements of United Nations Security Council resolutions". In its present form the proposals were unacceptable.

Britain's "thoughts" were conveyed by Mr Douglas Hurd, the foreign secretary, to Mr Leonid Zamyatin, Soviet ambassador to London.

Officials remained tight-lipped about details of the plan and reactions to it. Moscow specifically asked the British and other governments of the anti-Iraq coalition it consulted to keep the proposals secret.

But it is understood that one aspect to which both the US and Britain have objected is the reported absence of a precise timetable for withdrawal.

The Foreign Office was at pains to make clear yesterday it was not adopting an entirely negative attitude to Moscow's proposals. "This is not the last word. We want it (the peace effort) to work," the official added. Though any suggestion that a rift is beginning to appear in the hitherto solid Anglo-American front is strongly denied in Whitehall, diplomatic observers have detected a marginally more positive attitude in London than in Washington.

Meanwhile, France yesterday publicly warned Iraq that it had barely a few hours to avert the start of a land offensive in the Gulf, and that it could only prevent an allied attack by a rapid withdrawal.

The French warning followed intensive diplomatic contacts overnight, including telephone conversations between President François Mitterrand and US President George Bush and British Prime Minister John Major. It strongly confirmed the French government's determination to insist on an unconditional Iraqi withdrawal and to reject any negotiations on terms.

The impression that time is fast running out was indirectly confirmed later yesterday, when the French senate foreign affairs committee heard testimony by Mr Roland Dumas, the foreign minister. After the hearing, Senator Jean Lecanuet said that the allies had agreed to give the Iraqi President no more than 24 hours for a reply.

However, even though the French government is determined to avoid any negotiations in advance of withdrawal, it clearly intends to stick to its long-standing proposal that withdrawal should be followed by multilateral negotiations on a Middle East peace settlement.

An Iraqi woman cries over her child wounded in the bombing of Baghdad

Hawkish Arabs in no mood to allow Saddam to survive

By Victor Mallet in Riyadh

THE fiery anti-Saddam rhetoric yesterday of Sheikh Mohammed Sayed Tantawi, the mufti of Egypt, was utterly in keeping with the unforgiving official mood in Saudi Arabia and its neighbours.

The ousted rulers of Kuwait and the governments of Saudi Arabia and the other Gulf states are increasingly hawkish towards Iraq as a possible allied ground offensive to liberate Kuwait approaches.

They are openly calling for the overthrow of President Saddam Hussein, insisting on war reparations, and expressing their mistrust of compromise peace proposals from Iran and the Soviet Union.

"The people who spread corruption on earth should be executed, crucified, have their limbs cut off or at least be exiled," he announced after a jihad (holy war) convention in Riyadh. "And it's clear that Saddam Hussein is the man who has spread most corruption on the face of the earth."

Not all the statements from the Gulf state governments can be dismissed as opening bids as the bargaining begins. On the one hand they scent an imminent allied victory over the weakened Iraqi army and want the maximum reward from their heavy political and financial commitment to the war; on the other, they fear that Mr Saddam would continue to threaten their borders if he was allowed to extricate his forces from Kuwait under some kind of peace agreement which left his regime intact.

The Kuwaitis in particular – who say that the Iraqis have killed at least 2,000 people during their occupation and seized 10,000 as hostages – have extended their demands far beyond those of the United Nations.

"This region cannot live peacefully with this man (Saddam) in power," said Mr Badr al-Yacoub, the Kuwaiti information minister, in a newspaper interview published yesterday. "There is no guarantee that he will not try again to attack his neighbours."

Sheikh Sabah al-Ahmad al-Sabah, the Kuwaiti foreign minister, was even more forthright.

"Kuwait would never conduct any negotiations with Iraq either with the current Iraqi government or any new leadership in Baghdad after the withdrawal of Iraqi troops from Kuwait," he told the United Arab Emirates newspaper al-Ittihad. His comments directly contradict UN Resolution 660 – the first post-invasion measure calling for an Iraqi withdrawal and talks between the two sides.

King Fahd has also taken an increasingly hard line against his former ally Mr Saddam, calling for the withdrawal of Iraqi troops from near the Saudi border as well as from Kuwait itself.

"He destroyed the oil wells and spoiled everything that was there in Kuwait and harmed the Kingdom of Saudi Arabia and incurred debts to it," the king told the jihad convention on Tuesday. "Demands will be made on Saddam Hussein for all these."

Thyssen denies report on Iraqi connection

By David Marsh in Bonn

THYSSEN, the large German steel and engineering group, yesterday published details of a document it signed at the beginning of the 1980s ruling out certain business links with Israel. It released the details at a press conference called to refute a German press article about Thyssen's involvement in Iraq.

Thyssen produced evidence to show it side-stepped a demand by Iraq that it declare a complete boycott of all business dealings with Israel. Anti-Israeli undertakings of this sort are made as a standard feature of contracts between western companies and Arab countries, but details are seldom revealed.

Mr Dieter Vogel, a member of the main Thyssen board and chairman of the company's trading subsidiary Thyssen Handelsunion, denied press allegations that a company in the Thyssen group had delivered equipment for an alleged poison gas laboratory south of Baghdad. The allegations were made in Stern magazine.

Thyssen says that in 1981-82 it supplied equipment for the laboratory's central heating, fire protection, energy supply and telephone system, but did not deliver materials for the laboratory itself.

The company said yesterday that it would sue Bertelsmann, the media group which owns Gruner und Jahr, Stern's parent company.

Opec tries to stem price collapse

By Deborah Hargreaves

THE fall in oil prices and the prospect of a price plunge after the war is worrying the Organisation of Petroleum Exporting Countries.

Small Opec producers are expected to meet in Vienna on Monday for talks about halting the price fall. Members of the 13-producer cartel have been demurring for days about whether to hold an informal gathering to debate the sliding oil price.

While Gulf producers are still opposed to discussions before a scheduled Opec meeting on March 11, ministers from Venezuela, Nigeria, Algeria and Indonesia are likely to meet in Vienna next week.

Opec's Vienna office this week denied that a meeting would take place, but individual delegates said they were still planning to go.

The crude oil price recovered by 70 cents yesterday with North Sea Brent crude for April delivery trading at $17.45 a barrel as the market took its direction from the news about the progress of the Soviet peace proposals.

Many Opec producers are concerned about the drop in revenues implied by a lower oil price, but the organisation's Gulf states hold the key to reining back production and they do not want to discuss it until the war is over.

The four producers due to hold talks on Monday have a 38 per cent of Opec production and it is unlikely that they could do much to affect prices. Venezuela has increased its market share from 3 per cent to 11 per cent since Opec suspended output quotas when the Gulf crisis began and it is unlikely to want to cut back.

Saudi Arabia, which has almost doubled production from 4.5m b/d to 8.5m b/d is the only producer that can have any real affect on oil prices.

Israel anxious over Soviet Mideast ambitions

By Hugh Carnegy in Jerusalem

MOSCOW'S peace efforts have refocussed Israeli concerns about Soviet ambitions in the Middle East and the finely-balanced relations between the two countries.

The immediate anxiety in Israel was that President Gorbachev's peace plan would allow President Saddam Hussein to extricate Iraq from the war with his regime intact and enough surviving military power to remain a threat to Israel. Hence the satisfaction when the US said the Soviet plan did not go far enough.

An equally important worry, however, was that President Gorbachev, under pressure from conservative forces in Moscow, was seeking to reassert Soviet influence in the region.

So far, Israel has benefited greatly from President Gorbachev's reforms. Bilateral relations, while not back to full diplomatic ties, have been largely restored after years of fracture after Moscow cut diplomatic links following the 1967 Six Day War.

Israel has watched with deep satisfaction the erosion of traditional Soviet military and economic support for its Arab foes – principally Syria and Iraq – as Moscow's ability to project its power in the Middle East declined and confrontation with the US, Israel's guardian-ally, was replaced by co-operation. At the same time, Moscow has made clear any peace settlement would have to satisfy Israel's interests.

Above all, liberalisation by Moscow has allowed hundreds of thousands of Soviet Jews to emigrate. Their move to Israel may pose deep domestic economic difficulties, but it is a demographic godsend which will strengthen the country against its Arab neighbours.

Israeli concerns about Soviet policy were not entirely eclipsed. First, the dilution of superpower rivalry in the Middle East removed one of the pillars of Israel's strategic relationship with the US – namely as a bulwark against a perceived Soviet threat.

Also, there were worries that in the post-Cold War era, the US and the Soviet Union might co-operate on Middle East issues in a way unfavourable to Israel.

In particular, there was alarm at signs that Washington, frustrated by Israel's refusal to yield the occupied territories to the Palestinians, might move towards long-standing Soviet support for an international conference on the Arab-Israeli conflict after the Gulf war. The Soviet Union has not abandoned its support for the Palestine Liberation Organisation and an independent Palestinian state.

A joint statement last month by Mr James Baker, the US secretary of state, and Mr Alexandr Bessmertnykh, the Soviet foreign minister, that the two countries would work closely together on Middle East policy after the war was met with alarm in Israel.

This week, Mr Yitzhak Shamir, the hardline Israeli prime minister, reportedly told visiting US congressmen that internal uncertainty in the Soviet Union led him to doubt that Arab-Israeli peace talks should take place under joint superpower auspices, something he had previously signalled a willingness to accept.

Prof Ya'acov Roi, a Soviet policy specialist at Tel Aviv University, said the Soviet Union was unable to return to its old role of providing arms and aid to Syria, Iraq and other hostile Arab states.

But he did believe Israel had cause for concern over what he saw as a clear effort by Moscow to recoup its influence in the region.

● Israel had to do more than adopt a "sit and do nothing" attitude towards the postwar Middle East, Mr David Levy, the Israeli foreign minister, said yesterday in an apparent attack on Mr Yitzhak Shamir, the prime minister for his failure to address the issue of post-war peace talks before the conflict was over.

It was the government's duty to try to influence processes under way to construct a new order in the region after the war. "A complacent policy of 'sit and do nothing' is a recipe for political damage ... then all that is left for Israel to do is to react to formulated initiatives and be labelled obstinate."

Mr Levy has increasingly been at odds with Mr Shamir and Mr Moshe Arens, the defence minister, over his call for initiatives on the Arab-Israeli conflict and the Palestinian issue.

Moscow divide opens on Gulf war

By John Lloyd in Moscow

THE Soviet leadership is beginning to split over the Gulf war – but not enough, most diplomats judge, to put at risk support for United Nations resolutions.

The difference of emphasis between Mr Yevgeny Primakov, Mr Mikhail Gorbachev's adviser and special envoy to Iraq, and Mr Alexander Bessmertnykh, the foreign minister, has widened to the point where, as one diplomatic observer commented, "it is getting more difficult to square the two views".

At the same time, comment from the Party press and from the army remains deeply worried, even hostile, to the continued allied offensive.

In a television interview late on Tuesday, Mr Primakov said that the continuation of the war was "unjustified from any point of view."

He had a "limited optimism" that Iraq was edging closer to an unconditional withdrawal from Kuwait – an impression gained during talks on Monday between Mr Gorbachev and Mr Tariq Aziz, the Iraqi foreign minister.

Pravda, the main Communist Party newspaper, said yesterday the allied air campaign threatened to turn into a devastating and bloody war on the land. And the conservative writer, Mr Vassily Belov, writing in Sovetskaya Rossiya, accused the United Nations of having turned from a peace organisation to a war organisation. He said the war was being fought only 263kms from the Soviet border and asked: "How would the US feel if our troops descended so close to them?"

Senior military figures, have in recent days underscored the threat of a permanent US force in the Middle East, and the conclusion of a Pax Americana in the region which would exclude the Soviet union.

Much comment has focused on the fear that the US and its allies may now go beyond the liberation of Kuwait to the destruction of the Iraqi regime, and the removal of President Saddam Hussein.

The Foreign Ministry, by contrast, is fighting hard to maintain its position of support for the UN resolutions, and constantly assures the world that the peace plan demands the immediate and unconditional evacuation of Kuwait. Mr Bessmertnykh and his spokesmen have repeatedly said that they do not see the response of President Bush to the plan – that it fell "well short of what was required" – as a rejection.

However, Mr Bessmertnykh left Moscow yesterday for Madrid, where he will participate in a special session of the Council of Europe's ministerial committee – a trip which is seen as confirming the Soviet Union's desire to further develop its relations with the European states. Asked why he was leaving Moscow at such a critical time, Mr Vitaly Churkin, the foreign office spokesman, smilingly said that communications were good between Moscow and Madrid, and that it was "not far away".

UN aid appeal for Jordan

UNICEF is to launch an appeal for humanitarian aid for Jordan because of the damaging effect of the war, writes Mark Nicholson in Amman.

Jordan has not required humanitarian aid for more than 20 years. But Ms Hind Khatib, the UN body's programme officer, said yesterday: "The government's social services budgets are being so squeezed they are just doing their best not to fall apart."

According to a recent study by Unicef, the proportion of Jordanians living below the poverty line has risen to 30 per cent from 20 per cent before the Gulf crisis, which means 1m Jordanians are living in relative poverty. The poverty line is defined as living on an income of JD89 (£69) a month.

Businessmen beat a path to Kuwaitis' doors for orders

'UK Inc' is well placed to participate in the country's reconstruction, report **Tony Walker** and **Victor Mallet**

MR Ben Wood of the US Army Corps of Engineers calls as the "biggest reconstruction job in living memory". It will dwarf, for example, recovery efforts following the San Francisco earthquake, Hurricane Hugo and the US invasion of Panama.

Kuwaiti officials estimate that if there is no further damage the reconstruction of their country could cost as much as $52bn (£26.2bn) but they warn that if there is a land battle that figure would become meaningless.

Anxious to re-establish their authority – and emphasise their legitimacy – within their own territory as quickly as possible after Iraqi forces have been ejected, the Kuwait government has already committed more than $1bn in spending on emergency relief.

Not surprisingly, businessmen, including representatives of some of the largest and most powerful international corporations, have been beating a path to the doors of those responsible for overseeing Kuwait's reconstruction effort.

That path takes them to the twenty-second floor of the Oberoi hotel in Dammam on Saudi Arabia's east coast. It is here that Mr Majid al-Shaheen, the head of Kuwait's "Emergency Recovery Programme" is besieged day and night by business "envoys". The Kuwaitis have already signed some 200 contracts, about 70 per cent of which are with US companies, to assist in the first 90-day recovery phase.

Efforts will focus on restoring power, water and electrical systems, and on ensuring adequate supplies of food and medicine for Kuwait's beleaguered residents.

The Kuwaiti authorities say they will be obliged to cater for a population of about 800,000 people, including tens of thousands of Kuwaitis who are expected to flood back. At present the numbers in Kuwait are estimated at less than 500,000, including some 300,000 Kuwaitis (400,000 – 500,000 Kuwaiti nationals are thought to be outside the country). The rest are mostly of Palestinian origin.

Kuwaiti officials say that a first priority will be the re-establishment of law and order. They say that martial law may be necessary while the situation is brought under control, and careful checks are made to establish the bona fides of Kuwaiti residents.

Officials claim that thousands of Iraqis have streamed into the country since the August 2 invasion and some may seek to stay on.

The authorities also face the issue of what to do about the large Palestinian population, some of whom have been accused of siding with the Iraqis. Such is the bitterness between the two communities it is almost certain that many Palestinians will be asked to leave.

BRITAIN has complained to the US about the short notice given to British companies to register for emergency reconstruction work in Kuwait, Mr Peter Lilley, trade and industry secretary, said yesterday, writes Andrew Taylor. British companies on Monday were given just 48 hours to register their interest in bidding for contracts to restore essential services immediately after the war.

The deadline to submit prequalification bids to the Corps of Engineers, part of the US military, had been due to run out at midday yesterday. Mr Lilley said the exiled Kuwaiti government subsequently had been persuaded to extend the deadline by seven hours. Tarmac, the UK construction group, said yesterday it would probably have submitted a prequalification bid but for the short notice.

In the scramble for contracts to help restore services in Kuwait in the first emergency phase, the US Army Corps is playing a pivotal role under an agreement signed in mid-January by the US Defence Department and the Kuwaiti government.

Colonel Ralph Locurcio, head of the specially designated Kuwait Emergency Recovery Office, which has a staff of 70 engaged in reconstruction planning, says that his organisation's initial task will include damage and cost assessments for repairs, procurement of equipment and materials and restoration planning in co-operation with the Kuwaiti government.

The initial emergency phase will be followed by a period of rehabilitation, which will involve more substantial repairs to damaged infrastructure. Then there will be a reconstruction phase in which larger projects are undertaken that might involve the complete rebuilding of shattered facilities.

KERO plans to allocate responsibility for eight separate sectors to eight US consultant engineering companies. They will assess structural damage and carry out immediate repairs but any project costing more than $25,000 must receive Kuwaiti government approval.

While American companies are expected to win the lion's share of the initial contracts, such is the scale of the task that British companies would seem to be well placed.

Mr Christopher Wilton, Britain's commercial counsellor who is helping to oversee the establishment in Saudi Arabia's Eastern Province of an office representing British industry, said: "We're not actually planning to compete with the Americans. What we want to do is to work with them, not against them."

Among representatives of "UK Inc", as Mr Wilton describes the British presence, are Crown Agents, responsible for general supplies and equipment; W.S. Atkins – consultancy services; GEC Alston – power generation, transmission and telecommunications; Biwater – water and sewage; Costain – civil construction; and John Brown Engineering – oil, gas and petrochemicals.

But these companies will be obliged to work with, and perhaps compete against, American giants such as Bechtel Engineering. Kuwait and Bechtel have already signed a letter of intent under which the US company has been proposed as project manager for the rebuilding of the oil sector in a programme which will be divided into four separate geographical areas.

Saudi merchants and contractors are also keen to secure a share of the reconstruction business. One Saudi businessman said his company was among four chosen to participate in a $50m clean-up operation, once Kuwait is liberated.

Mr Abdul Rahman al-Zamil, the Saudi deputy minister of commerce, said Saudi suppliers with access to US and European technology would be able to deliver goods to Kuwait quickly and cheaply.

"Most of the building materials will be provided by the Saudi market," he said. "For the reconstruction programme, Saudi Arabia will play a major role, not based on politics but because of pricing."

There are signs that Kuwait is also seeking to spread business among other Arab members of the anti-Iraq coalition. Cairo newspapers report that Egyptian companies are being awarded contracts for clean-up efforts in the first 90-day recovery phase. Egyptian companies have also won contracts for the supply of medicines.

Businessmen and western commercial attaches report that Kuwaiti officials, while they are anxious to move as quickly as possible to secure goods and services necessary for their country's reconstruction, are also extremely price-sensitive.

Concern about price is not simply restricted to the commercial level. It also surfaces in political discussions. For example, when Mr Douglas Hurd, the UK foreign secretary, introduced British businessmen to Kuwaiti officials in Taif recently, they were quietly reminded that, while Kuwait was immensely grateful to Britain, in the end price would be critical in contracts awarded for reconstruction. As a commercial attache said: "There is always a follow-up remark about prices."

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

INTERNATIONAL NEWS

Warning forced Bechtel out of Iraq chemical project

By Alan Friedman in New York

BECHTEL, the California construction group, withdrew *from an Iraqi* petrochemicals project on the advice of Mr George Shultz, the former US secretary of state, who joined the company's board of directors after leaving the Reagan administration in 1989. Mr Shultz disclosed his role in an interview with the Financial Times.

Bechtel has also revealed, separately, *that it* was instructed by the government of Iraq to obtain payment for work *it did* on the petrochemicals project from the Atlanta, Georgia, branch of Banca Nazionale del Lavoro (BNL).

BNL is the Italian bank caught up in the scandal over $3bn (£1.5bn) of Iraqi loans made in 1988-89 by its Atlanta branch. Indictments of US bank employees and Iraqi officials implicated in the scandal *were due to have been* announced last week, but they have been delayed after a fresh round of consultations in Washington.

'I said something is *going to* go very wrong in Iraq and if Bechtel was there it would get blown up'

The disclosures by Bechtel come amid allegations by US chemical weapons experts that *Baghdad planned to use* intermediate products from the apparently civilian Iraqi project – known as PC2 – for the manufacture of mustard gas.

Mr Shultz, who had served as president of Bechtel before joining the Reagan administration in 1982, said he first learned of Bechtel's work as project manager of the Iraqi petrochemicals complex in 1989 when he "spent a little time at Bechtel's London office and found there was work going on in Iraq".

Mr Shultz said he checked into the PC2 project in 1989 and was given assurances that it had nothing to do with chemical weapons. "But I thought about it a little more and I gave my advice they should get out," said the former secretary of state.

He recalled that at a Bechtel meeting in the Spring of 1990, as work was continuing, "I really hit it very hard and I said something is going to go very wrong in Iraq and blow up and if Bechtel were there it would get blown up too. So I told them to get out."

The revelations by Bechtel, which says it had no knowledge of any plans by Iraq to apply the petrochemical plant's products for military use, mark the first time a US company has provided details of the direct involvement of Iraqi officials in the BNL Atlanta affair.

Western intelligence officials say that a substantial portion of the $3bn of BNL money was used by Iraq to finance its development of unconventional weapons systems, including the Condor-II ballistic missile project and nuclear and chemical weapons projects.

The Iraqi project was handled by Bechtel Overseas of *Hammersmith Road in London*, the company's UK affiliate. The Financial Times has obtained a copy of a 1988 telex instruction from the central bank of Iraq to BNL's Atlanta branch, asking that Bechtel's UK subsidiary be paid $10m.

Mr Tom Flynn, a senior vice-president at Bechtel, said the company never knew there was *anything suspect about* the $10m of BNL funds, provided in the form of two letters *of credits that were issued in* September 1988 and amended three months later.

"We were hired by the government of Iraq to be the project manager for an ethylene plant. Our client, the government of Iraq, told us we would be paid through letters of credit from the BNL Atlanta branch."

The Bechtel official also said that the company received "direct encouragement" for the *PC2* project *from the US* Department of Commerce. A spokeswoman for the Commerce Department said "we were aware of Bechtel's work in Iraq through the US embassy in Baghdad, but our role was a passive one".

Bechtel said there was no suggestion at the time about the final use that Iraq might make of ethylene oxide, a product that has multiple civilian applications, but also has military uses.

Mr Seth Carus, an expert on Iraq's *chemical weapons* programmes who is a fellow at the Washington Institute for Near East Policy, said the PC2 Iraqi project was intended for several purposes, both military and civilian.

"I think it is very clear, however, that the Iraqis understood what they were doing. It is evident that they wanted to *limit their import dependence* on chemicals that are used for weapons."

A key feature of the PC2 project was the plan to manufacture ethylene oxide, a precursor chemical that Mr Carus said "is easily converted to thyodiglycol, which is used in one step to make mustard gas".

Mr Shultz, asked about the possible production of mustard gas, said he was not "a technically proficient person" but that "I kept going back and saying these things could be converted pretty easily". Bechtel subsequently followed the advice of Mr Shultz, just *months before the invasion of* Kuwait.

Bechtel is currently one of several US and UK firms seeking contracts for the eventual reconstruction of Kuwait.

Hong Kong to postpone opening of £5bn airport

By John Elliott in Hong Kong

HONG Kong is about to abandon plans to mark the end of British rule with the opening of a new HK$79bn (£5bn) international airport just before the territory returns to Chinese sovereignty on *July 1, 1997. The airport* may be opened a year later instead.

The decision forms part of a plan, to be presented in Peking today by Hong Kong government officials, to win China's backing by cutting the cost of the airport.

The airport plans have become the subject of a big diplomatic row in recent months which has demonstrated how China can influ*ence events in Hong Kong,* despite pledges that the colony will enjoy a "high degree of *autonomy" after 1997.*

Hong Kong needs China's blessing for the airport in order to attract international financial participation.

Four options are being put forward at today's talks. They vary from carrying out the full project along lines announced by Hong Kong late in 1989 as part of a HK$127bn port and *airport development scheme,* to a severely scaled down plan which Hong Kong opposes.

A compromise, which Hong Kong hopes to persuade China to accept, involves the one-year postponement of the opening to avoid excessive construction costs, delaying completion of a rail link, and deferring until about 1995 a *decision on whether to build a* second runway.

Most of this phasing had been under consideration before China raised objections last year about the scale of the project, but it is now being presented in Peking as a new *package.* The 1998 opening, however, is a significant diplomatic concession which is also justified on economic and engineering grounds.

The least favoured option, which Hong Kong would be reluctant to implement, would involve immediately cancelling the second runway and the rail link, and abandoning a *large-scale land reclamation* and property development off the west Kowloon area of the colony which would carry approach roads.

Sir David Wilson, Hong Kong's governor, yesterday said he was against "scaling down" because it would lead to an "airport on the cheap" which would be no better than the colony's *badly* congested Kai Tak airport. But he said the project could be "phased".

Speaking at a rare press conference, Sir David acknowledged the need both to inform China more about developments in the colony and to *"take into account views that* seem important and relevant". This contrasts sharply with Hong Kong's *earlier refusal* to consult fully with China on the airport and other affairs.

Indian budget falls victim to politics

By David Housego in New Delhi

THE Indian government yesterday decided to postpone the presentation of next year's budget which had been expected to bring in sharp cuts in expenditure and substantial tax increases.

The decision to postpone the unveiling, which was due to take place on February 28, was taken only a few hours before *the House reconvenes today for* the annual budget session.

The Indian prime minister, *Mr Chandra Shekhar, took the* step under pressure from Mr Rajiv Gandhi's Congress party which feared that a harsh budget could damage its electoral chances in state elections now expected to be held in the southern state of Tamil Nadu in March.

Mr Gandhi came in for strong criticism yesterday from diplomats and officials for what is seen as irresponsibily adding to the problems of the *economy for short-term electoral gain.*

The fear is that if much needed deficit cutting measures are postponed now in advance of a state election, they will be further postponed if a general election seems in the offing.

Mr Yashwant Sinha, the finance minister, was said to *have bitterly opposed the post*ponement and threatened his resignation.

Mr Sinha had argued in cabinet for measures that would cut the budget deficit in fiscal 1991-92 to 6.5 per cent of GDP, from an expected 8.3 per cent this year.

Senior government officials also expressed dismay.

They feared that the postponement would seriously undermine current negotiations with the IMF over a $2bn (£1bn) standby credit that was pinned to the budget incorporating a credible stabilisation package.

An IMF team was due here late next month after the budget had been passed. In place *of the budget,* parliament will be asked to approve a "vote on account" enabling the government to maintain expenditures without raising new taxes. No date was set for a new budget session.

On the success of the IMF negotiations hinged further borrowing from the bilateral donor nations and the commer*cial markets which India needs* to finance imports and meet interest payments on foreign debt.

India's foreign exchange reserves had slumped to Rs15.7bn (£42.5m), or the equivalent of about about two weeks of imports, in mid- January when the country was close to technical default.

The reserves have since been boosted by an initial $1.8bn borrowing from the IMF to about six weeks of import cover as of January 25.

But without fresh inflows of capital these will soon be depleted.

Even if the budget had gone through and negotiations begun with the IMF for a sec*ond $2bn loan, India would still* have needed bridging finance until the fresh IMF money had been added to the reserves in three or four months. This must now be in doubt.

One senior diplomat said yesterday: "I do not know how they will manage."

The postponement of the budget is part of complicated *political manoeuvring intended* to keep Mr Chandra Shekhar in power and assure him the *continued support of the Con*gress party.

With only 54 parliamentary party members in a Lower House of 545, Mr Chandra Shekhar depends for his survival on continued Congress backing.

As part of the growing price of his support, Mr Gandhi first demanded that the prime min*ister dismiss the DMK (Tamil* regional) government in Tamil Nadu.

He then pressed for a halt to the refuelling in India of US military planes on their way to the Gulf – which the government officially conceded on *Tuesday. His demand for a* postponement of the budget also coincides with feeling within Mr *Chandra Shekhar's* own Janata (S) party which was hostile to cuts in fertiliser subsidies.

Nervous of Mr Chandra Shekhar's *growing prestige,* Mr Gandhi had sought in recent weeks to replace him with an *administration under his own* leadership.

But he has failed to win majority support in parliament. At the same time he cannot afford to pull the rug from under Mr Chandra Shekhar because his party is still fearful *of a general election.*

Mr Gandhi's belief is that if the Congress party and its allies can do well in the Tamil Nadu *state elections* in March, then this will boost the party's morale and prepare the way for general elections.

He is thus keen to avoid damaging expenditure cuts and tax increases in advance of the Tamil Nadu election.

Congress leader Rajiv Gandhi put pressure on Prime Minister Chandra Shekhar to postpone

Bihar clash leaves death toll of 15

At least 15 people were shot to death *yesterday when supporters* of a radical political party clashed with a private army hired by landlords in eastern Bihar state, AP reports from New Delhi.

Activists of the Indian Peoples' Front, a left-wing party, fought with members of the Mazdoor Kisan Sangh in Tishkore village in Bihar's Patna *district, about* 830 *kilometres* east of New Delhi.

The Mazdoor Kisan Sangh, or Labourers and Farmers Organisation, is a "private army" working for wealthy farm owners. Twenty people were arrested.

● A bomb exploded in a bus near New Delhi yesterday, killing at least nine passengers and injuring 38 others, AP adds from New Delhi.

There was no immediate *claim of responsibility* for the bombing, which happened near Duhai, 35km east of the capital.

Blast shakes US-run Indonesian oilfield

At least 60 people were hurt when dynamite stores exploded at an Indonesian oilfield run by US company Caltex, Reuter reports from Jakarta.

The US embassy believes the explosion was an industrial accident, but terrorism was not ruled out.

"According to reports I've received, the injuries were not serious," a spokesman for state oil firm Pertamina said.

Of those hurt, 45 were Caltex employees. He did not know if any were foreigners.

The Duri field is the second largest in Indonesia with a production target of 300,000 barrels a day. "As far I know, it (the explosion) has not affected Caltex's production," a spokesman said.

Russian president criticised for demanding Gorbachev's resignation

Yeltsin statement dismays his allies

By **John Lloyd** in Moscow and **Leyla Boulton** in Volgograd

SUPPORTERS of Mr Boris Yeltsin, the Russian president, yesterday added a note of dismay and anxiety to the more predictable howl of outrage from hardliners over his call for President Mikhail Gorbachev to resign.

The Supreme Soviet voted by 280 to 31 for a resolution accusing Mr Yeltsin of "violating the constitution" and creating "an extreme situation" in the country with his fierce criticism of Mr Gorbachev in a television broadcast on Tuesday night.

A stream of hardline deputies attacked Mr Yeltsin, led by Mr Anatoly Chekhoyev, a member of the hardline Soyuz, or Union group.

"His statement was tantamount to a declaration of civil war," he said. "When the Soviet Union is disintegrating, the time has come to talk about a state of emergency throughout the country."

Significantly, two leading figures who have been close to Mr Yeltsin also distanced themselves from his remarks.

Mr Nursultan Nazarbayev, president of Kazakhstan – who has been talking to Mr Yeltsin and leaders of the Ukraine and Belorussia on the conclusion of an inter-republican pact – said: "I largely support his criticism of the country's leadership. What I do not support is his appeal to Gorbachev to resign."

General Dmitri Volkogonov, a military historian who is a member of Mr Yeltsin's "brains trust" in the Russian parliament, said his demand was "quite legitimate" but there were further possibilities for compromise between the two men.

"If we start head-on confrontation we shall leave only ashes behind us".

Mr Yeltsin's opponents in the Communist party, the army and the security apparatus have taken the broadcast as a declaration of war on Mr Gorbachev and no compromise between the two leaders now seems possible in the tense period before the referendum on the continuation of the Union on March 17.

The Communist party central committee paper Pravda said that Mr Yeltsin was "using all the means he can muster to achieve his own personal ambitions, which are far from the goals of democracy and perestroika".

Both official comment and interviews with Soviet citizens in the street reveal a growing weariness with the titanic battle between Mr Gorbachev and Mr Yeltsin.

The latter remains far more popular than the Soviet President – though that popularity has slipped somewhat recently – but the timing of his call, coming when some Russian deputies are attempting to remove him from office, and the harshness of his criticism, have both caused scepticism.

In street interviews in the southern city of Volgograd, supporters of Mr Yeltsin were fearful. Mr Efim Shusterman, editor of the Novaya Gazeta, said he would publish Mr Yeltsin's remarks in full but that the call for resignation was "a little premature".

Mr Alexander Tupikin, a pilot, said he thought it was time for both Mr Yeltsin and President Gorbachev to quit."I'm very dissatisfied. I think Yeltsin should be removed. But Gorbachev has also outlived his purpose – he should go too."

Albanian students pull Hoxha statue down

By **Judy Dempsey**

ALBANIAN students yesterday pulled down the giant bronze statue of Enver Hoxha in the capital Tirana following a wave of anti-government demonstrations.

The symbolic gesture marks the beginning of the end of the cult of Enver Hoxha, founder of the ruling Albanian (Communist) Party of Labour (APL), who died in 1985.

Yesterday's defiant action is likely to increase pressure on Mr Ramiz Alia, Hoxha's successor, to distance himself from the Stalinist dictator, despite the APL's unswerving loyalty to his name.

Mr Ilir Ikonomi, a reporter for Tirana Radio said the crowd chanted "Hoxha, Hitler", and "Ramiz, you don't know what hunger is".

A western diplomat said the capital was tense. "There are helicopters flying overhead and armoured cars in the streets," he said.

The police tried yesterday to protect the statue and fired warning shots. But according to witnesses, some police fraternised with the students. They added that the sheer weight of numbers forced it to the ground, *but apparently no* one was hurt.

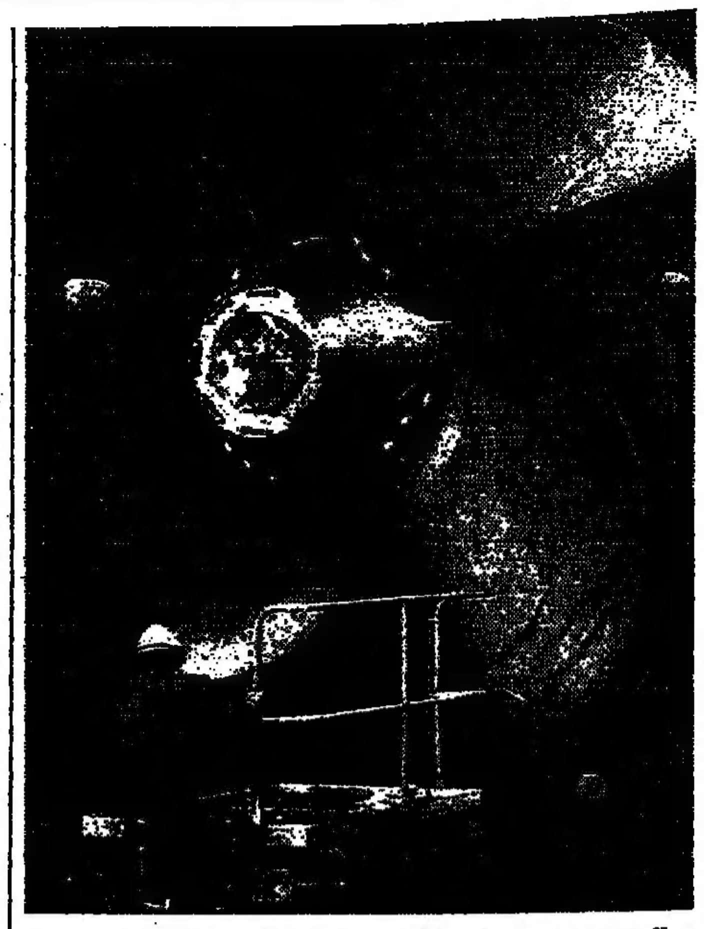
The 30-foot statue was pulled down following days of unrest at the Enver Hoxha University, the country's only university. Two weeks ago, students boycotted all classes there after calling for a change to it's name and more reforms.

On Monday, several hundred of the students stepped up their demands by going on hunger strike after Mr Skender Gjinushi, the education minister and rector of the university, said parliament would discuss the issue only after next month's elections.

Unrest has spread to industry in recent weeks. Miners stopped work last week to demand pay rises and better working conditions. Earlier in the month, hundreds of people stormed the port of Durres following rumours that they would be allowed to leave the country without visas.

Mr Alia has attempted to open up Albania to the outside world after decades of self-imposed isolation. After days of nationwide demonstrations last December, he legalised the independent Democratic Party, paving the way for the free elections which will be held on March 31.

But Mr Alia's ability to keep one step ahead of the opposition, the growing impatience of students and rising expectations of the workers, has been weakened in recent weeks.



An east German worker is dwarfed by the giant propeller of a vessel under construction in Rostock. The ship is near completion and the yard's future is in serious doubt. Hard times are hitting shipbuilding throughout east Germany, prompting strikes and protest marches.

Bonn to decide on tax rises today

By **David Marsh** in Bonn

CRUCIAL decisions on German tax rises are scheduled to be taken today following agreement in the Bonn coalition government on large revenue-raising measures to stem the growing budget deficit.

A consensus on tax increases and other measures to help channel funds to east German states suffering from the economic downturn east of the Elbe is likely to be hammered out at a coalition meeting this evening.

Mr Theo Waigel, the finance minister, is also calling together this afternoon finance ministers of the federal states (*Länder*) to work out methods of sharing tax revenues more equitably among states in the east and west of the country.

Mr Volker Rühe, general secretary of Chancellor Helmut Kohl's Christian Democratic Union, yesterday admitted – after months of government denials – that tax increases were necessary to help finance the costs of German unity.

Partly to try to boost its electoral popularity, Mr Kohl's coalition previously ruled out tax rises in association with German unification, although it left open whether they might be necessary to finance the costs of the Gulf crisis.

However, it now seems certain that petrol taxes, and possibly income taxes as well will be raised both because of Bonn's sizeable payments to countries affected by the Gulf war and because of the continuing drain from east Germany.

Mr Waigel has up to now sought to keep down the overall public sector budget deficit to DM140bn (£48.4bn) this year through a package of DM35bn in spending cuts decided at the beginning of the year.

More than half the package was raised through an increase in unemployment benefit contributions, which reduced the government's payments to the Federal Labour Office this year.

The Bonn cabinet yesterday approved plans for the 1991 federal budget calling for a federal deficit of DM70bn on spending of DM400bn, as foreshadowed last week.

Yesterday's figures are however highly provisional because both tax increases and additional methods to channel western Länder revenues to the east have not yet been taken into account.

Lothar de Maizière cleared over Stasi allegation

CHANCELLOR Helmut Kohl's Christian Democrats (CDU) said yesterday that Mr Lothar de Maizière, the former East German prime minister, had been cleared of allegations that he had spied for the Stasi secret police, Reuter reports from Bonn.

Mr Volker Rühe, CDU general secretary, said a government investigation, the results of which are expected this week, would clear the way for Mr de Maizière to resume his posts in the party.

The former premier stepped down in December as deputy CDU leader and as a minister without portfolio in the first government of united Germany after press allegations that he had informed the Stasi security police about dissidents and church activists. He denied the charges.

Questionnaire on EC policy drawn up

Mr Jacques Poos, foreign minister of Luxembourg, which holds the EC presidency, has drawn up a questionnaire for fellow foreign ministers as a starting point for discussions about a common EC foreign policy, writes Andrew Hill in Strasbourg.

Mr Poos told the European Parliament yesterday that he would invite answers to seven questions at the meeting of EC foreign ministers scheduled for March 8. His questionnaire begins by asking whether member states support a common foreign policy.

The meeting is likely to discuss the disagreements on security policy which have emerged in the EC since the outbreak of hostilities in the Gulf.

EC-Japan treaty idea approved

European Community foreign ministers have endorsed Tokyo's suggestion that the EC should agree a special charter governing its relationship with Japan, writes David Buchan in Brussels.

It would be similar to the transatlantic charter signed by the Community and the US last November and would be aimed at bolstering the weakest side of the US-EC-Japan power triangle.

Turkish leader to visit Soviet Union

President Turgut Ozal is expected to pay an official visit to the Soviet Union next month, a Turkish foreign ministry official told Reuter in Ankara yesterday. "We cannot make a formal statement yet but the visit is likely to take place between March 11-16," he said.

It will be Mr Ozal's first trip to Moscow since becoming president in December 1989. He visited the Soviet Union as prime minister in 1986.

Greece and Iran discuss gas pipeline

Iran and Greece agreed to co-operate in oil and other industries and study the idea of an Iranian gas pipeline passing through Greece, Reuter reports from Nicosia.

The Iranian news agency IRNA said a letter of understanding was signed in Tehran by Mr Mohammad Hossein Mahloujchi, Iran's minister of mines and metals, and Mr Stavros Dimas, the Greek minister of industry, energy and technology.

Polish generals to stand trial

Three former Communist generals are to stand trial for ordering the destruction of the files of Poland's security police, the official PAP news agency said yesterday, Reuter reports from Warsaw.

The generals, who include former Deputy Interior Minister Henryk Dankowski, face up to five years in jail if convicted. The date of the trial has not yet been set.

PAP said that the destroyed documents included proof that the security police had carried out surveillance and repression of anti-Communist activists and Roman Catholic priests.

Hashish seized in Casablanca

Three tonnes of concentrated hashish, worth $3.8m, were found hidden in a truck about to board a ship bound for Amsterdam, the Moroccan Information Ministry said, Reuter reports from Rabat.

The European driver of the Dutch-registered truck and six Moroccans were arrested. Another European who accompanied the driver to Morocco had already left the country.

EC plan for telecoms leasing

By **David Buchan** in Brussels

PUBLIC telecommunication networks in Europe will be obliged to lease lines to private companies in a non-discriminatory, transparent way, if EC governments agree to a proposal put forward by the European Commission yesterday.

The market for such value-added services as electronic data bases and transfer of bank funds relies heavily on phone lines leased from national public networks. Despite the market being forecast to grow to Ecu 5bn (£3.57bn) by next year, the Commission says providers of such services have often been handicapped by predatory pricing and conditions by the public authorities.

The Commission believes the new measure, proposed under a framework directive on "open network provision" adopted by EC governments last year, will help big international companies. "They need to integrate the most advanced technologies into their business networks to stay internationally competitive," the Commission said. Improving the telecommunications "nervous system" of Europe's single market is a Commission preoccupation.

Conditions and tariffs of leased lines would, under the proposed directive, have to be published. Any changes would have to be notified in advance by the networks to the leasors. To guarantee open access for all users, the directive would harmonise technical standards.

Hungary's economic outlook brightens

By **Nicholas Denton** in Budapest

HUNGARY'S current account deficit this year will be significantly better than expected, as will output, according to Mr Gyorgy Suranyi, the head of the central bank. As a result the country is on the threshold of export-led growth.

He predicted that the deficit would be half the $1.2bn previously forecast if oil remained at $20 a barrel. Furthermore, GDP was roughly stable, in contrast to earlier official forecasts of deep recession.

The revisions come as the International Monetary Fund board is set to approve a SDR1.14bn (£830m) three-year extended financing facility for Hungary. In parallel, the Hungarian government yesterday presented a draft programme of institutional economic reforms to meet and go beyond IMF conditions for the credit.

The programme smooths over a persistent and damaging debate about whether to embark on radical or gradual measures to stabilise the economy. It does so by concentrating on essential technical reforms like the introduction of new accountancy and property laws.

Optimism was bolstered by central bank figures released yesterday which showed a $156m surplus on last year's current account, more than $550m better than required by the IMF and the first since 1984. The switching of Hungary's trade with the Soviet Union into dollars from the new year has involved heavy terms of trade losses and made a deterioration in the balance inevitable in 1991.

Lower oil prices since the start of the Gulf war have also tempered official fears: about the momentum of inflation, which reached 33.4 per cent in December; and about the depth and length of recession, after January's record unemployment of 183,000 or 2 per cent of the work force.

"Within the first six to seven months (of 1991) we'll be over the peak of inflation if we are not already over the peak," Mr Suranyi said. This month's cut in the price of meat has been the first conclusive sign that tight fiscal and monetary policies are biting.

Moreover, final official figures were likely to show gross domestic product falling by only 2 per cent last year compared with 6 per cent forecast. "My personal estimation is that there was no decline at all in 1990 if you include the black economy," Mr Suranyi added.

He strong expansion of the private economy this year to halve or even wipe out the officially forecast fall of 4 per cent in gross domestic product.

The collapse of exports to the Soviet Union since former clearing arrangements lapsed in the new year is the main source of uncertainty about Hungary's economic outlook. Preliminary statistics for January show trade running three or four to one in the Soviet Union's favour because Soviet companies have not been allocated the hard currency with which to buy Hungarian goods.

Moscow in challenge to Georgia

THE Soviet parliament threatened yesterday to clamp a state of emergency on the breakaway region of South Ossetia in Georgia, where more than 30 people have been killed in ethnic fighting this year, Reuter reports from Moscow.

The Supreme Soviet gave Georgia's nationalist leaders three days voluntarily to extend a state of emergency across the whole of South Ossetia and stop the bloodshed. Otherwise, the Supreme Soviet said it would step in and impose the measure.

"The resolution says that if these conditions are not fulfilled by the parliament of Georgia, the USSR law on state of emergency must come into force," the official news agency Tass said.

Georgia, bent on breaking away from Moscow's control, abolished South Ossetia's autonomous status in December after its leaders said they wanted to stay part of the Soviet Union rather than belong to an independent Georgia.

Georgian authorities have already imposed a state of emergency in parts of South Ossetia and thrown a blockade around its capital, cutting off supplies of electricity, fuel, water and food.

The Supreme Soviet ordered Georgia to lift the blockade, disarm illegal military units and end illegal arms making.

In a separate development, a shadowy Georgian militia group said two of its members and a priest were shot dead by Interior Ministry troops.

Swedish government postpones plans to scrap nuclear power

SWEDEN said yesterday it was postponing plans to begin abolishing nuclear power by 1995, and instead would embark on a SKr3.7bn ($664m) programme concentrating on safe, alternative sources of energy, Reuter reports from Stockholm.

Mr Rune Molin, industry minister, said the timing of Sweden's nuclear power shutdown now depended on progress in energy-saving and pollution-free generating, while keeping energy costs internationally competitive.

The decision reverses the government's line that it was bound by a parliamentary decision to scrap the first two nuclear reactors in 1995 and 1996.

But the earlier commitment to dismantle all 12 nuclear reactors in the country by the year 2010 remains.

Sweden uses nuclear power to generate 45 per cent of its electricity. The pulp, engineering and other industries which need abundant cheap energy had become increasingly nervous as the 1995 date for scrapping nuclear power approached.

The country's pulp industry welcomed the programme, which is expected to become law by mid-1991.

"Much (of the programme) is positive, but there are still many uncertainties and question marks about energy policy," said Mr Bo Wergens, of the national forestry industry. He regretted that the goal of scrapping nuclear energy altogether by 2010 was still intact.

The programme calls for investment in energy conservation and the development of environmentally friendly energy sources such as ethanol and windmills.

But it drops the government's previous insistence on freezing at 1988 levels the emission of carbon dioxide gas, which is produced by burning fossil fuels and is believed to cause global warming through the so-called greenhouse effect.

Brussels rules against Eurosport channel

By **David Gardner** in Brussels and **Alice Rawsthorn** in London

THE European Commission ruled yesterday that Eurosport, the satellite television sports channel linked to Mr Rupert Murdoch, infringed EC competition regulations by entering into an effective joint venture agreement with the Eurovision network to shut out rivals.

The agreement was between the Eurosport Consortium, Sky Television (which now operates as the BSkyB satellite television service), Mr Murdoch's News International, and a group of members of the European Broadcasting Union (EBU). The Commission judged that potential competitors were co-operating, thereby denying access to programmes from other satellite or cable services, strengthening the position of EBU members and the former Sky television service.

Eurosport was receiving preferential access to EBU-produced sports coverage, to the detriment of competitors such as Screensport, which brought the complaint and is a joint venture between W.H. Smith, the UK retailing group, and the cable channel ESPN.

The Commission's ruling clears the way for all satellite channels to compete for the right to screen European sports events.

Mr Francis Baron, managing director of WHSTV (W.H. Smith Television), said the ruling would "enable Screensport to compete in the marketplace for the first time on a fair basis."

Mr Murdoch's News International announced earlier this year that it intended to sell its 50 per cent holding in Eurosport.

The EBU, the group of public sector European broadcasters which owns the remaining 50 per cent, is now negotiating with new potential investors to take the Murdoch stake.

Since BSkyB was formed by the merger between Sky and BSB late last year, it has continued to broadcast both Eurosport, part of the old Sky service, and BSB's Sports Channel.

From April it plans to screen the Sports Channel to all subscribers and to drop Eurosport from its service.

Slovenia moves further towards independence

By **Laura Silber** in Belgrade

SLOVENIA'S parliament yesterday approved constitutional amendments to move the republic towards secession from the Yugoslav federation.

Deputies approved two amendments giving the republic control over its foreign policy and creating the legal framework for a fully independent monetary system. These are likely to undermine reforms undertaken by Mr Ante Markovic, the federal prime minister.

Mr Milan Kucan, Slovenia's president, said: "The federal government is no longer able to safeguard the rights of its republics, so we suggest it be dissolved.

"Should the republics accept our proposals, there will be two or more sovereign states born out of Yugoslavia. Both or all these states will inherit the rights and obligations of the former Yugoslavia."

Deputies are expected later in the week to vote on "an agreement on dissociation" – a resolution on independence.

Last December's referendum which was approved by the majority of the republic's 2m population allowed six months for Slovenia "to take the necessary steps to assume the right and prerogatives of a federal state".

But the process of sorting out liabilities will take "much longer," according to Mr Kucan.

Meanwhile Mr Markovic has been lobbying for support of the federal government's programme.

New capital for Air France

AIR FRANCE, the French state-owned airline, is to receive an injection of FFr2bn ($396m) in fresh capital from the state, the company announced yesterday, writes Ian Davidson in Paris.

The announcement of the new capital endowment, the first since 1986, follows the company's adoption of an austerity plan in response to the sharp decline in air travel brought about by the Gulf war.

The plan includes a wage freeze and a 6 per cent reduction in hours worked, and is intended to secure savings of FFr610m.

However, Air France says the new capital is intended as a contribution to the company's 1991-93 investment programme, which includes buying some 60 new aircraft and is scheduled to cost FFr35bn.

The new money is not designed to compensate for its current losses, the airline says.

The airline expects a FFr870m loss in 1990, as a result of the shortfall in traffic, compared with a FFr685m profit the year before.

Rural Ireland up in arms over 'whizz kid' economics

A restructuring of post offices is the final straw for dying local communities, reports **Kieran Cooke** in Dublin

THE rural communities of Ireland are up in arms. Not about the growing disintegration of their roads and the non-existent rubbish collection, but about the closure of their village post offices.

An Post, the Irish state-run post office, is in severe financial difficulties and is a drain on precious public resources. This year the company is likely to lose I£16m (£14.8m), next year about I£25m.

In an effort to appease a government bent on stopping losses in the state sector, An Post is planning a radical restructuring of its operations.

Central to this is the closure of 550 post offices, predominantly in rural areas. In some regions, post will no longer be delivered house to house, but have to be collected from special boxes.

The country has reacted angrily.

The post office is one of the pillars of the community in parts of rural Ireland. Take the post office away, say An Post's critics, and the community will cease to exist.

Though about 40 per cent of Ireland's 3.5m people live in the Dublin area, the country remains essentially a rural society, with life centred on the local church, pub and post office.

In the old days people would anxiously wait at the post office for mail – and possibly cheques – from fathers, sons and daughters gone overseas to work.

Mrs Mary Grady has run a post office for more than 40 years in Cregganbaun, a small village surrounded by bogland

European Diary

Ireland

and mist-shrouded mountains on the edge of Connemara in the far west of Ireland. There are very few jobs locally. Over the years Mrs Grady has watched the young people emigrate to Britain or the US. A few years ago the local school closed.

"There are about 20 pensioners living here, many of them alone, and a few other families" says Mrs Grady. "If the post office closes then it's the old people who will suffer, with not even a place to meet while collecting their dole or pensions."

In many communities the post office is combined with a shop or pub. At the beginning of the week people congregate to collect their unemployment benefits. At the end of the week they meet to collect their pensions.

The Irish novelist John McGahern captured much of the atmosphere of the the rural post office in his recent book "Amongst Women". An emigrant, away nursing for some years, returns home. She goes to post a letter.

". . . The small room of the post office was full of people waiting for the evening mail. They all turned towards her when she entered and way was made for her to go up to the counter. People whose own names she was no longer certain of called out her name and she smiled and nodded by way of general response.

"The post office was owned by two white-haired sisters, Annie and Lizzie, far out cousins of her own, and Annie stamped the envelope for her, postmarked it and dropped it in the calico bag on the counter. . . when the mail van pulled up outside, the hum of talk about them went silent."

There is resentment in parts of Ireland, particularly in the underpopulated western half of the country, about the way the towns and villages seem to have been sacrificed on the altar of economic expediency. In recent years Ireland has won international acclaim for the way it has cut back on national spending and brought its foreign debt under control.

The Irish economy has grown by an average of 4 per cent annually in the past four years. But emigration has left parts of the country desolate and unemployment has recently risen to 18.5 per cent - along with Spain, the highest in the EC.

To country people, the planned closure of the post offices is being seen as yet another example of government's ambivalence about their problems. As one country councillor said: "The whizz kids do not think of rural Ireland."

Already government cuts mean that there is no rubbish collection in many rural areas. Potholes on many country roads make driving hazardous. With cuts in the EC subsidy regime, the future for much of Irish agriculture is bleak.

The government has been surprised at the uproar caused by An Post's "viability" plans. Members of the coalition government headed by Mr Charles Haughey, the prime minister, say that if the post office closures are carried out, vital votes will be lost in rural constituencies.

"Closing the local post office would be the last nail in the coffin of many country communities," said one west of Ireland politician. "We just can't let a whole way of life disappear."

The downturn will not be as severe as on previous occasions, predicts the Fed chairman

Greenspan upbeat on recession

By Michael Prowse in Washington

THE balance of forces suggests that this recession will be "shorter and shallower" than most post-war downturns, Mr Alan Greenspan, the Federal Reserve chairman, said yesterday as he delivered his semi-annual Humphrey-Hawkins monetary testimony to Congress.

Mr Greenspan declined to adjust the provisional target ranges for monetary growth set last July, arguing that these gave scope for economic recovery while keeping downward pressure on inflation. But he hinted at the need for further regulatory reforms to ease the "credit crunch" – the apparent unwillingness of banks to lend.

Mr Greenspan's economic optimism appeared to rest in large measure on the fact that both oil prices and interest rates have fallen sharply in recent weeks. However, Mr Greenspan took care to temper his remarks with many warnings about the unpredictability of events in the Middle East, the risks associated with financial fragility and the limitations of economic forecasting.

He said it would be unwise to rule out the possibility that the recession would become "more serious than already is apparent". The main danger was that the erosion of purchasing power and frayed consumer and business confidence stemming from the recession could interact with a weakened financial system to produce a further decline of the economy.

On balance, however, the Fed believed the odds favoured a moderate upturn in economic activity in coming quarters. It is forecasting growth of gross national product of about ¾ – 1½ per cent between the final quarters of 1990 and 1991.

This is roughly in line with the Bush administration's projection of a 0.9 per cent increase in real GNP over the same period. But it is markedly more pessimistic than the Fed's forecast of 1¾ per cent to 2½ per cent growth made last July. The Fed expects the jobless rate to rise to between 6½ to 7 per cent by year-end. But it hopes that lower oil prices, and slack in labour and capital resources will restrain inflation to only 3¼ to 4 per cent, the best performance in recent years.

Several stimulative forces have been set in motion, Mr Greenspan claimed. These include a significant drop in both short- and long-term interest rates. The monetary easing, moreover, began more than a year before the business cycle peak, a pattern "unique in post-war experience" that will help cushion the recession.

At the same time, inflation pressures remained moderate by the standards of past recession. The fall in the dollar had enhanced industrial competitiveness and should support exports in coming months. Meanwhile with most businesses keeping their inventories lean, the "anticipated pick up in aggregate demand should show through relatively quickly in rising production".

However, Mr Greenspan conceded that there were several forces acting to restrain spending and demand. The large stock of vacant commercial properties was virtually certain to limit activity in the real estate market for some time.

It would also take a while to correct the financial difficulties facing many lenders, who would probably remain quite conservative in making new loans.

ECONOMIC PROJECTIONS FOR 1991

Measure	Memo: 1990 Actual	Fed* Range	Fed* Central Tendency	Administ'n	Fed central Tendency (July '90)
% change, fourth quarter to fourth quarter**					
Nominal GNP	4.3	3½ to 5½	3¾ to 5¼	5.3	5¼ to 6½
Real GNP	0.3	-½ to 1½	¾ to 1½	0.9	1¾ to 2½
Consumer price index†	6.3	3 to 4½	3¼ to 4	4.3	3¾ to 4½
Average level in fourth quarter, % ††					
Unemployment rate	5.9	6¼ to 7½	6½ to 7	6.6	5½ to 6

* FOMC Members and Other FRB Presidents
** Average for the fourth quarter of the preceding year to the average for the fourth quarter of the year indicated
† Actual and FOMC forecasts are for all urban consumers. Administration forecast is for urban wage earners and clerical workers
†† Percentage of the labour force. Actual and FOMC forecasts are for the civilian labour force: Administration forecast is for the total labour force, including armed forces residing in the United States

Alan Greenspan: recession will be shorter and shallower

MAIN POINTS

■ Shallow recession, upturn later this year. The Fed predicts growth of ¾ to 1½ per cent in 1991, roughly in line with Bush administration forecasts.
■ Inflation to moderate. Lower oil prices and higher unemployment to underpin consumer price inflation of 3¼ to 4 per cent, the best recent performance.
■ No revisions to monetary targets set last July. Target range for M2 remains 2½ to 6½ per cent despite recent undershooting by Fed.
■ Regulatory initiatives to ease "credit crunch". Alan Greenspan says easier monetary policy cannot resolve "market imperfections" that obstruct supply of credit.

Call to end credit supply impediments

FURTHER regulatory initiatives may be needed to remove impediments restricting the supply of credit, Mr Alan Greenspan warned yesterday, writes Michael Prowse.

He said structural reforms, rather than an easing of monetary policy per se, might be needed to remove some "market imperfections" affecting credit supply.

One step taken last year to bolster bank lending was reduction in the proportion of deposits banks must hold as non-interest bearing balances at the central bank. This appreciably reduced banks' funding costs.

He was also anxious to encourage lending by reducing the stigma attached to borrowing of short-term adjustment credit at the Fed's "discount window".

Banks' reluctance to borrow from the window in recent years had rendered this device a "less effective safety valve in relieving transitory pressures in the reserves and funds market".

Monetary ranges 'on target'

By Michael Prowse

MONETARY policy ranges provisionally adopted last July remain appropriate in spite of the recession, Mr Alan Greenspan said.

The 1991 target range for growth of M2, the most widely watched monetary aggregate, remains 2½ per cent to 6½ per cent. This is slightly tighter than the 3 per cent to 7 per cent ranges set in 1989 and 1990, reflecting the Fed's belief that inflation will ease gradually.

The target range for growth of M3, a broader measure of money, remains 1 per cent to 5 per cent. The low target reflects the impact of restructuring of the savings and loan industry, which has reduced deposit growth.

The Fed also set a monitoring range for growth of non-financial sector debt of 4½ to 8½ per cent in 1991. This is slightly tighter than last year's target and reflects expected sluggish borrowing by consumers and businesses.

Mr Greenspan said the target ranges for money and debt growth were selected "to promote sustainable economic recovery, consistent with progress over time toward price stability".

Some analysts had expected the M2 target to be raised following criticism of the Fed for allowing the monetary aggregates to fall below target in the fourth quarter of last year.

Mr Greenspan conceded yesterday that the aggregates ended 1990 "well down in the lower halves of their annual growth ranges". M2 grew by 3.9 per cent between the fourth quarters of 1989 and 1990 but was flat in the final three months of last year.

The Fed said the weakness of M2 reflected the stalling of gross national product in the last quarter of 1990, the reluctance of banks to lend – the so-called credit crunch – and a shifting of credit intermediation away from banks.

Policy easing in recent weeks, including two cuts in the discount rate to 6 per cent, was aimed partly at reviving the growth of M2 and the other aggregates.

Mr Greenspan said there was already tentative evidence of a pick-up in monetary growth but it was too early to be sure that a more robust trend had been established.

His statement underlined the degree to which the performance of the monetary aggregates has moved to the centre of the Fed's thinking. It implies policy will be eased further if M2 growth does not move towards the centre of this year's target range – which also represents the Fed's best guess of likely nominal growth of GNP in 1991.

MONETARY AND CREDIT AGGREGATES GROWTH
(% change fourth quarter to fourth quarter)

	1989	1990	1991
M2	3 to 7	3 to 7	2½ to 6½
M3	3½ to 7½	1 to 5	1 to 5
Debt	6½ to 10½	5 to 9	4½ to 8½

Bush's energy strategy set to intensify debate

By Peter Riddell, US Editor, in Washington

THE main impact of the national energy strategy formally launched yesterday by President George Bush will be to intensify, rather than resolve, debate about what the US should do to encourage domestic production and the efficient use of energy.

The Gulf war – with the initial and now reversed sharp rise in oil prices – has intensified political and public pressure for action, in view of the US's growing dependence on imports. These accounted for just 30 per cent of US oil needs in the mid-1980s; the figure is now almost 50 per cent.

As Democrat Senator Bennett Johnston, chairman of the Senate energy committee, has commented: "With the war in the Gulf now, if we can't pass a really meaningful energy policy, then shame on us."

The main debates will be about car fuel economy standards, drilling for oil in environmentally sensitive areas, encouragement of conservation and reviving the nuclear power industry.

The leaked administration proposals have already been widely criticised for relying too much on raising oil output – as well as easing regulations to stimulate natural gas and nuclear power production – and not enough on conservation.

The Sierra Club, a leading environmentalist group, has criticised the plan for being "nothing more than an answer to the prayers of the oil, nuclear and auto industries."

Indeed, the White House and the Office of Management and Budget are reported to have deleted sections of the plan that would have put greater emphasis on conservation.

They removed proposals to exempt energy efficiency rebates from federal taxes and establish a federal fund to make loans for efficiency projects.

At an earlier stage, ideas to require increased car efficiency – the Cafe, or corporate average fuel economy standards – did not make it into the plan. Similarly, further increases in petrol taxes – even though they are the most efficient way of encouraging conservation – were seen as politically unacceptable following the enormous row last autumn over the phased increases included in the budget plan.

The president's key economic advisers objected to proposals which might increase industry's or consumers' costs substantially and hinder economic recovery.

The main themes of the White House's approach were indicated in last week's report from the president's council of economic advisers. This stated that "primary reliance on markets to determine prices, quantities, and technology choices provides the foundation for sound longer term energy policies, and thus for the administration's national energy strategy."

Moreover, "policies concerned with energy security or environmental protection must be well-designed to avoid excessive costs and to ensure that economic growth can continue to be fostered through the availability of ample supplies of reasonably priced energy."

These priorities have been shown not only by what has been left out of the strategy but also by its key elements.

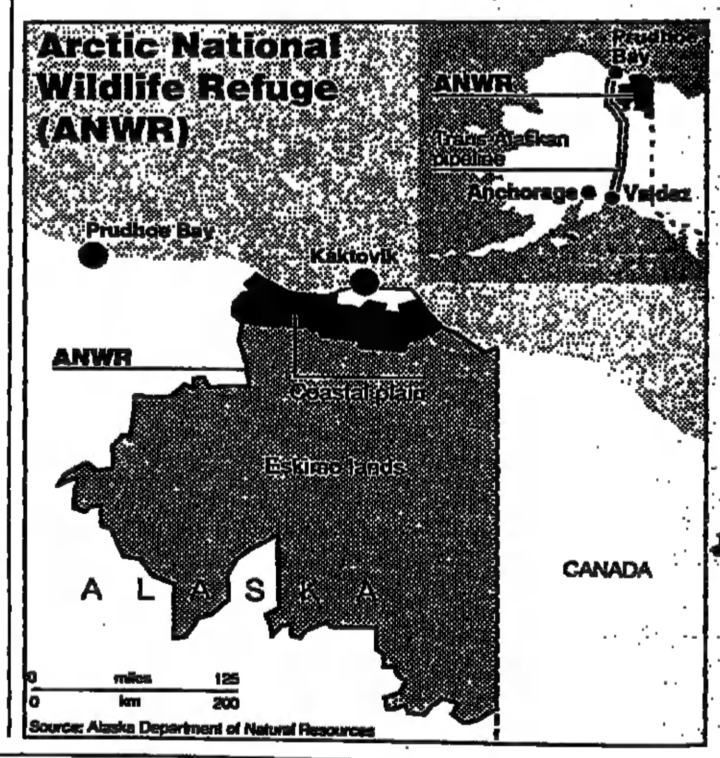
The main proposals of the strategy include opening up the Arctic national wildlife refuge in Alaska to oil drilling and and expanding offshore exploration on the outer continental shelf, as well as removing many of the regulatory barriers in the way of approving new nuclear plants and building new natural gas pipelines and hydro electric plants.

Proposals have also been made to encourage the use by federal agencies of alternative fuels such as methanol, ethanol and compressed natural gas, and the more general adoption of renewable energy sources. These ideas will be measured alongside plans already put forward by senior members of the Senate and House energy committees.

For instance, the House energy and power sub-committee will shortly consider measures including incentives for the use of renewable energy sources such as solar and wind power, as well as new federal programmes to stimulate energy efficiency in housing, businesses and government buildings.

In the Senate, Senator Bennett Johnston, from Louisiana, and Senator Malcolm Wallop, the committee's senior Republican from Wyoming, have urged the opening up of the Arctic national wildlife refuge to drilling, though they would use revenues from leases to promote energy efficiency programmes and the development of solar and wind power.

Both the main Senate and House proposals dodge the question of raising car fuel efficiency, although Democrat Senator Richard Bryan from Nevada has called for a 40 per cent increase in standards over the next decade.



Source: Alaska Department of Natural Resources

Mexico in debt-for-nature swap

By Damian Fraser in Mexico City

THE debt-for-nature swap is spreading. Following Bolivia, Costa Rica and Madagascar, the Mexican government reached its first such agreement on Tuesday.

Over the next four years Conservation International, the environmental group, will arrange to retire $4m (£2m) of Mexico's foreign debt in return for the government spending $2.6m on specified environmental projects.

Costa Rica has retired a fifth of its foreign debt through such swaps, while spending more than $100m on protecting its dry and tropical rain forests.

The Mexican swap represents 0.05 per cent of the country's total debt. Other such deals, reportedly in the offing, will not reduce the country's $80bn external debt significantly.

The debt swap does not represent any direct savings for the Mexican government since, under the terms of the Brady debt deal, it has already agreed to buy back the debt that is being retired at a 35 per cent discount. It would probably have been as economical if environmental groups gave the $2.6m to the government directly.

However, the deal demonstrates that the government is finally waking up to environmental pressures, both internal and external. Environmental issues are likely to be a focus of opposition from the US Congress to the proposed free trade agreement with the US and Canada.

Almost half the $2.6m will spent on preserving and documenting fauna and flora in the Selva Lacandona. More than half this forest has been destroyed by illegal logging and conversion of forest into farmland since 1970.

According to Conservation International, the forest will be destroyed within 10 years if current rates of deforestation continue.

The governor of Chiapas state, where the forest is located, blamed deforestation on "corruption and complicity" of foreign companies.

Most environmental groups blame the state's alarming deforestation rates on the government's agrarian reform policies, however.

Mexican farmers can apply for credit from the agricultural bank by clearing unclaimed land of trees. The government has encouraged the development of the Lacandona area as a way of protecting the border against Guatemala.

Close to 200,000 people now live in an area where only 5,000 lived in the 1960s.

Sharp fall in US house starts

By Michael Prowse

US housing starts plunged last month to their lowest level for nine years, the Commerce Department said yesterday.

Starts fell by 12.8 per cent to a seasonally adjusted annual rate of 850,000 – the lowest level since January 1982. The department also revised downwards figures for December to show a drop of 13.7 per cent.

Starts have fallen by 45 per cent in the past year.

The recent decline in housebuilding activity was more severe than analysts expected and suggests the recession may be gaining intensity, rather than bottoming out.

Construction is usually one of the sectors which leads the economy out of recession. But the latest figures provide no grounds for expecting an early recovery.

Building permits – the best indicator of future construction – fell a further 5 per cent to 804,000 last month and are now running more than 50 per cent below the levels of January 1990.

The weakest region remains the north-east, where starts fell nearly 30 per cent to 77,000 last month.

In the mid-west starts declined 15 per cent to 198,000.

A similar percentage drop in starts in the south took the annual rate of housebuilding to 340,000 – the lowest level since the series began in 1959.

In the west, starts were 235,000, fractionally above the December level, but far weaker than for most of 1990. A year ago starts in the west were running at 499,000.

Most of the decrease in housing starts last month was accounted for by a 16 per cent decline to 632,000 in the annual rate of construction of single-family units.

But construction starts for apartment buildings containing five or more units also fell, by nearly 10 per cent to 209,000.

US consumer prices rose 0.4 per cent last month after seasonal adjustment and by 5.7 per cent in the year to January, the Bureau of Labour Statistics reported yesterday, writes Michael Prowse. The rise was slightly larger than analysts expected and compares with increases of 0.3 per cent in the two preceding months.

Figures for underlying inflation, however, were considerably worse. Excluding food and energy, the widely watched "core" consumer price index rose 0.8 per cent, double the average monthly increase in 1990.

Dry winter dashes Californian dreams of drought's end

The state has started to draw up 'battle plans', writes **Louise Kehoe**

CALIFORNIA, which boasts an abundance of natural resources, is coming to terms with the fact that it lacks one vital commodity – water. Winter rains which normally provide about 60 per cent of the state's 11,000bn gallons on water used annually have failed for the fifth consecutive year, threatening the worst drought in 14 years.

The impact on the state's economy, which ranks sixth in the world compared to national economies, will inevitably be severe.

Mr Pete Wilson, the state's governor, has announced a "battle plan" to deal with the crisis, calling for water agencies to cut consumption by 50 per cent. "Most of us are going to have our water cut in half," he said. "At present that is a worse-case scenario, but I think it is becoming a likelihood."

As the state basked in unseasonably warm weather this week, prospects for an end to the drought were quickly fading.

California typically has 26 inches of rain in the wet season between October and February. This year many parts of the state have had almost no rain, with an average fall of just 6½ inches. With reserves already depleted, the situation is becoming desperate.

The Federal Bureau of Reclamation, which controls California's Central Valley project – a massive system of reservoirs, aqueducts and canals built in the 1950s – announced last week that even by draining its resources it would be able to provide only about 25 per cent of normal water supplies to urban and agricultural customers.

The state water project, which moves water from the Sierra Nevada mountains in northern California to the most populous regions in the south, has halted water supplies to farmers and mandated 50 per cent cuts for urban customers.

Among the worst hit are California's farmers, who normally consume more than 80 per cent of the state's water for irrigation. Early estimates suggest the state's $16bn (£8bn) agricultural industry will suffer losses of $1bn to $2bn this year.

Some regions will be particularly hard hit. Kern County, in the San Joaquin valley, one of the state's richest farming areas with 850,000 acres of prime agricultural land, may become the first economic casualty of the drought.

The region has little ground water to supplement supplies from the state water project; in the late 1960s it was transformed from a desert. In 1989 the county produced $1.6bn worth of fruit, vegetables, nuts and other crops.

Local officials estimate that more than 11,000 workers on farms and in related industries will lose jobs as a result of the drought.

Manufacturing industries that rely on water supplies are beginning to count the potential costs of rationing.

Silicon Valley's chipmakers are struggling to forestall production curbs in the wake of water rationing; electronics manufacturers use large quantities of water to cleanse equipment, circuit boards and semiconductor wafers. Ironically, the use of water-based cleaning fluids has increased as manufacturers have sought alternatives to environmentally damaging CFCs.

Faced with the prospect of 50 per cent cuts in water, some companies fear they will be forced to scale-back production.

For residents of central California, water rationing is nothing new. This year, however, water restrictions will be more severe.

Affluent Marin County, north of San Francisco, has restricted residents to just 50 gallons of water a day from March 1. Homeowners are being encouraged to install low-flow showers and toilets, which together account for the largest personal use of water.

The impact of the drought is not uniform throughout the state.

In southern California more moderate cuts of 10 to 15 per cent for residential customers have been proposed, in part because the region's cities draw some of their water from the Colorado River.

There is also a political dimension to water distribution in the state.

The southern, most populous part of the state has largely been protected from water rationing in the past.

"Water wars" have long raged between northern and southern California, with residents in the north fighting to stop expansion of water exports to the south. Farmers also compete with "urbanites" for scarce water supplies.

In an attempt to provide more equitable distribution of water throughout the state, Mr Wilson has proposed streamlining water sales.

Even between a willing buyer and a willing seller, water transfers can currently take months because of a labyrinth of regulations.

Along with a $100m fund for conservation measures, the governor has proposed a "water bank" that can be tapped by drought-stricken cities and farmers.

Water supplies for the bank are expected to come primarily from rice growers, who will receive state incentives not to plant their water-intensive crop this year. Long-range plans being explored by southern California water districts include building a $2bn desalination plant.

While the cost and power requirements of such a plant are significant obstacles, the fact it is even being considered signals a change of attitude in California.

LOS ANGELES City Council voted on Tuesday to start rationing water next month, Reuter reports from Los Angeles.

Residents and businesses in the second largest US city will have to cut water consumption by 10 per cent from March 1 and by 15 per cent from April 1.

Residents who fail to meet the new requirements face hefty fines and other penalties. But local authorities are bracing for thousands of appeals; during rationing in 1977, 73,000 appeals were filed and 92 per cent were granted.

Japanese drop plan to buy into US tool group

By Robert Thomson in Tokyo

FANUC, the Japanese machine tool equipment maker, has dropped plans to take a 40 per cent stake in Moore Special Tool, a US precision tool company, following pressure from US Congress representatives opposed to a large foreign holding in a company with a nuclear weapons manufacturing capability.

The Japanese company had been invited to make the $10m (£5m) bid by executives at Moore, who insisted they would retain management control, and that the funding was needed to reduce debt and modernise production facilities.

But a bi-partisan group of US Congress representatives campaigned against the purchase, claiming it posed a threat to US security.

The investment was not opposed by the Committee on Foreign Investment in the US (CFIUS) and was supported by the US Treasury and State Department, while the US Defence, Commerce and Energy Departments expressed some concern.

Fanuc officials said in Tokyo yesterday that the time taken to close the investment "had exceeded all expectations", and that the legal authority for the purchase had been clouded by the opposition in Congress.

The company said that while it believed "congressional hearings would end favourably", the "indefinite and burdensome" review procedures had prompted the abandonment on the purchase plans.

Fanuc's problems and the vehemence of the congressional opposition to the purchase are likely to make other Japanese companies wary of any investment with links, however tenuous, to sensitive industries such as nuclear weapons production.

The Japanese company emphasised that it did not make the initial offer and that it had no plans to take a controlling stake in the Connecticut-based Moore, which supplies metal boring and gouging equipment to the Energy Department for nuclear weapons production.

Moore representatives insisted that the company was engaged in "no classified work" and that government contracts amounted to no more than 10 per cent of total sales. Fanuc said that Moore, an old business partner, had requested help, and that the stake would remain a minority holding.

"Fanuc answered this call for help from an esteemed customer because it believes Moore is a sound company and that association with the prestigious Moore name would enhance Fanuc's marketing efforts," the Japanese company said.

But some US Congress representatives did not see the deal in commercial terms, and Mr Mel Levine, a California Democrat and chairman of a high-technology committee, wrote to President Bush urging him to oppose the purchase.

"Allowing Moore to fall into foreign hands would pose an unacceptable national security risk to US nuclear weapons production capability, as well as worsening the already disturbing US trend of growing dependence on foreign machine tool vendors," Mr Levine wrote.

Peter Riddell adds from Washington: The issue had become very political because of the opposition of prominent congressmen to the deal as a further instance of a Japanese takeover of a company essential to US national security. President Bush had taken no formal position and, with the law lapsing, neither faced a statutory deadline to act, nor had power to block the deal.

But Fanuc's withdrawal is a relief to the US administration since approval would have stirred further congressional anger at a time of considerable hostility to Japan and made straightforward re-authorisation of Exon/Florio legislation to block foreign takeovers on national security grounds more difficult.

Moore had argued that its sales for nuclear weapons development were less than a tenth of its business and that Fanuc's offer of $10m for minority ownership was the best financial offer available.

EC presses Austria and Switzerland in road row

By David Buchan in Brussels

BRUSSELS yesterday turned up the heat on Austria and Switzerland to settle their road transit dispute with the EC, by warning that failure to agree would jeopardise the far-wider negotiations for a common economic zone with all seven European Free Trade Association (Efta) countries.

Speaking after high-level EC-Efta talks, Mr Horst Krenzler, the EC's director-general for external affairs, warned that unless Vienna and Berne showed flexibility they would ruin the chances of negotiating a treaty on the European Economic Area (EEA) by the target date of thus June.

Austria and Switzerland lie across the middle of the Community, and have in recent years taken action to limit the environmental damage from heavy trucks along relatively few Alpine valleys.

The Commission has been trying to get Switzerland to make exceptions to its ban on trucks of over 28 tonnes weight, and to get Austria to reverse its plan to reduce transit licences. The Commission "is leaning on us, but we are leaning back", Mr Manfred Scheich, Efta's chief negotiator, said yesterday.

Mr Scheich welcomed yesterday's agreement by the EC that each of the seven Efta countries - Liechtenstein is turning its Efta association into membership shortly - would have a judge on the joint panel with the Community's 13 judges to adjudicate on disputes within the 19-nation EEA.

But he still complained that Brussels was demanding too short a time for Efta countries to adjust to its single market rules, and allowing Efta states too little say in the committee management of these rules.

Spanish in Venezuelan plant deal

A SUBSIDIARY of Spain's Repsol and the Venezuelan government's petrochemical company, Pequiven, have agreed to build a $21m (£10.6m) plant in Venezuela for producing specialised waxes for industry, Joe Mann reports from Caracas.

Repsol Derivados and Pequiven will each hold 49 per cent of equity in the new venture, while the remainder is to be sold on the Venezuelan stock exchange.

The new plant, to be near the Cardon oil refinery in western Venezuela, will be designed to produce 30,000 metric tonnes of waxes a year, for the domestic market and export. Raw materials for the plant will be supplied by the oil refinery. The special waxes have uses in making packaging, insulation and anti-corrosive compounds.

Pequiven is in the middle of a $6bn expansion programme expected to triple its output capacity by 1996.

Italy can limit import of Japanese motorcycles

ITALY has received clearance from the European Commission to limit imports of Japanese motorcycles with engine capacity of less than 380 cc until the end of this year, the European Community's executive body has said, Reuter reports from Brussels.

Italy requested the clearance to stem imports after it received more than 32,000 demands for import licences for the motorcycles at a time when domestic demand is falling and its own manufacturers are restructuring.

Italy will be able to limit the number of licences it hands out to 18,000. They will be shared out proportionately among the companies which have requested them.

Australia told to focus export effort on Asia

AUSTRADE, an Australian government-supported concern promoting exports and investment, plans to focus its efforts on Asia, its chairman said, AP-DJ reports from Sydney.

A review by McKinsey & Co consultants recommends it concentrate on markets with most potential for Australian goods and services which Australian companies find hard to penetrate.

The countries that best fit these criteria, the report says, include Japan, South Korea, Taiwan, Thailand, Indonesia, India and Pakistan. Exporters did not need as much help in western Europe or North America, while other areas had limited potential.

Iron lady entices ships into Peru's ports

Sally Bowen reports that docks trade has revived with the end of a monopoly

DENNY Ghersi has become known as the iron lady of Peru's ports, the pioneer in breaking a 55-year-old union monopoly on stevedoring. The results are already starting to show in lower costs for Peruvian exporters and could lead to Peru recapturing a substantial share of Bolivian trade that has increasingly gone to Chile.

Peru's ports have been notoriously expensive for years. By late last year escalating costs had brought sea trade to a virtual standstill. For three consecutive days last November not a single ship entered Lima's port of Callao, where old-timers recall halcyon days when ships lay out in the bay queueing for one of the 70 berths.

Callao moved 2,730,000 tonnes of goods in 1990, compared with 4,810,000 tonnes the previous year and 7,377,000 in 1987. Other Peruvian ports register similar or worse declines.

In the northern port of Chimbote, union-negotiated benefits had caused costs to escalate to the point where it was almost as expensive to load a ton of fishmeal as to produce it - almost $50, and eight or ten times what Chilean competitors charged.

Trade modernisation was always high on President Alberto Fujimori's priority list. But three supreme decrees issued last October took the shipping industry by surprise. They opened the way for shipping agents to contract stevedores privately and permitted dockworkers to set up their own private companies or co-operatives.

At the losing end of the measures is the Maritime Workers' Controlling Commission, founded in 1935 essentially as an inspectorate. It groups half a dozen stevedoring unions and controls dock labour. Its monopolistic position has allowed it to proliferate; it won wide-ranging benefits and guaranteed pay for stevedores even when there were no ships. Agents paid around $40 per shift to the commission while workers actually pocketed $5. The remainder was administered by the commission in "social benefits."

Denny Ghersi, in the shipping business since she was 16, had skirmished for years with the commission "opposing the excesses, abuses and absurd union regulation in quixotic fashion," but always on the losing end. "When the supreme decrees were promulgated, I saw the doors of heaven open and I walked right in," she says.

Three supreme decrees issued last October by President Alberto Fujimori (right) took the shipping industry by surprise. They opened the way for shipping agents to contract stevedores privately and permitted dockworkers to set up their own companies

She filed her application for permission to use private labour the day the decrees were announced and in late November she put the new law to the test. Under police and naval protection, she escorted 28 privately-contracted workers into the Callao docks to unload a cement cargo. Ugly clashes ensued with demonstrating unionised dockworkers - but unlike events in Chile when a similar monopoly-busting law was enforced, physical violence was short-lived. Stevedores quickly realised that they could earn substantially more under private contracting and many are signing up directly with shipping agents.

Union resistance to the measures has varied port by port. Some, like Paita in the north and Matarani in the south are operating almost completely under the new system. Matarani is a government priority and the sharply lower costs make it a serious competitor for Arica. Already Matarani has enticed back to Peru numbers of ships which for several years had increasingly used the northern Chilean ports, trucking merchandise to Lima.

Eduardo Toledo, the transport minister who spearheaded port liberalisation, says Peru can realistically expect to increase its share of Bolivia's port trade from 5 to 50 per cent. Bolivians would rather trade via Peru for historical and cultural reasons, he believes. And the priority recently accorded by Andean Pact ministers to the Matarani-La Paz stretch of the projected railway linking the Peruvian port to Brazil's Santos will help switch trade fast.

The battle for liberalisation is not yet won, however. Some larger shipping agencies have clung to the antiquated and inefficient union system - they charge clients a percentage of costs, so have little interest in seeing these substantially reduced. Even with more efficient stevedoring, there remains much to do in modernising port infrastructure. And unions continue to contest the legality of the supreme decrees through the Peruvian courts, their militant leader Luis Negreiros predicting eventual defeat for the measures.

But sea traffic is already picking up and Denny Ghersi has no intention of turning back.

Canadian Airlines defies doldrums with new terminal

THE dismal condition of the international airline industry will be evident in this morning's low-key ceremony to mark the opening of the long-awaited third terminal at Toronto's Lester Pearson airport, Bernard Simon reports.

The terminal's developers had planned to hold a party for 3,500, to celebrate a new home for Canadian Airlines International and a new gateway to Canada for British Airways, American Airlines, Lufthansa and several other European carriers. The party was cancelled after the Gulf war broke out. Estimates of traffic flows through the C$520m (£226m) terminal have recently been cut by 12 per cent to 8m passengers a year, slightly more than half its capacity.

But Canadian Airlines is pinning high hopes on its new home. Airline experts have recently questioned Canada's ability to support two major international air carriers. Canadian wants the terminal to help give it an edge over its rival, Air Canada. About half the two airlines' passengers pass through Toronto. Canadian believes curiosity with the new terminal will encourage many to book seats on its flights in the next few months.

Canadian has until now been at a disadvantage, occupying part of an increasingly congested building, while Air Canada had its more spacious terminal almost to itself. But Canadian pledges the new terminal will end "the indignities and incivilities of business travel". The new building has already prompted Air Canada to rush into a C$135m renovation of its own terminal. It is bound to increase pressure on the federal government to go ahead with plans to turn Pearson's other two terminals over to private-sector developers.

A consortium led by BAA of the UK is among three groups bidding for the contract to modernise the two older terminals. BAA hopes to use Toronto as a springboard for other North American contracts. Among its rivals for the Toronto project is a group including the California-based Lockheed Air Terminal, and Huang & Danczkay, the local developer.

LEGAL NOTICES

No. 008108 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court
IN THE MATTER of (1) WALLABROOK PROPERTY CO LIMITED (IN ADMINISTRATION)
AND
IN THE MATTER of the Insolvency Act 1986

Notice is hereby given that a meeting of (2) (creditors) in the above matter is to be held at Shelley House, 3 Noble Street, London EC2 on the Twenty-eighth day of February 1991, at 2.30pm.
(1) To consider our proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors
A proxy form should be completed and returned to us by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting you must give to us, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

M.A. JORDAN & R M ADDY
Joint (Administrator)s

A copy of our proposals may be obtained from
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

No. 008108 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court
IN THE MATTER of (1) AUTHORITY INVESTMENTS PLC (IN ADMINISTRATION)
AND
IN THE MATTER of the Insolvency Act 1986

Notice is hereby given that a meeting of (2) (creditors) in the above matter is to be held at Shelley House, 3 Noble Street, London EC2 on the Twenty-eighth day of February 1991, at 2.30pm.
(1) To consider our proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors
A proxy form should be completed and returned to us by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting you must give to us, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

M.A. JORDAN & R M ADDY
Joint (Administrator)s

A copy of our proposals may be obtained from
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

No. 008106 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court

In the matter of Basinghall Registrars Limited (In Administration) and in the matter of the Insolvency Act 1986
Notice is hereby given that a meeting of (2) creditors in the above matter is to be held at Shelley House, 3 Noble Street, London EC2 on the Twenty-eighth day of February 1991 at 2.30 pm.
(1) To consider our proposals under s.23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors
A proxy form should be completed and returned to us by the date of the meeting if you cannot attend the meeting and wish to be represented. In order to be entitled to vote at the meeting you must give us not later 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

M A Jordan & R M Addy
Joint (Administrators)
A copy of our proposals may be obtained from
Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ

Perfectionist Plastering Limited
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at 20 Old Bailey, London EC4M 7BH, on the 28th day of February 1991 at 10.30 am for the purposes mentioned in sections 48 and 49 of the said Act.

A creditor is entitled to vote at this meeting only if:
(a) he has forwarded to the administrative receivers Mr P R Sykes and Mr M C Bird of BDO Binder Hamlyn, 20 Old Bailey, London EC4M 7BH, not later than 12.00 hours on the 27th day of February 1991 details in writing of the debt that he claims to be due to him from the above named company, and the claim has been duly admitted for the purpose of entitlement to vote, and
(b) there has been lodged with the administrative receivers any proxy which the creditor intends to be used on his behalf.

P R Sykes
Joint Administrative Receiver
18 February 1991

No. 008108 of 1990
IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court

In the matter of Authority Investments Plc
and
In the matter of the Insolvency Act 1986

Notice is hereby given pursuant to Section 23(2)(b) Insolvency Act 1986 (Rule 2. 17) to shareholders, members and contributors of Authority Investments Plc that a copy of the joint Administrators' proposals and report prepared in accordance with the Act may be obtained free of charge by application in writing to joint administrators, M A Jordan and R M Addy, Cork Gully, Shelly House, 3 Noble Street, London EC2V 7DQ.

CROWN STEELS LIMITED

Registered number: 1137568
Nature of business: Steel Stockholders and Processors
Trade classification: 07
Date of appointment of joint administrative receivers: 12 February 1991
Name of person appointing the joint administrative receivers: National Westminster Bank plc
JOHN FREDERICK POWELL and DAVID J CORNEY
Joint Administrative Receivers
(Office holder nos 249 and 61) of Cork Gully
43 Temple Row
Birmingham B2 5JT

UK NEWS

UK expects to place order for 50 helicopters

By David White

THE Ministry of Defence expects to place its first production order for the UK-Italian EH101 helicopter by December after a two-year slippage in the project, the House of Commons defence committee heard yesterday.

The order for the first 50 EH101 Merlins for the Royal Navy has been anxiously awaited by Westland, the UK partner, which has been starved of new helicopter orders.

Bids by two rival consortia to take over overall responsibility for the anti-submarine helicopter and its systems are due next week with a decision expected in July. A British Aerospace (GEC) team is competing with one comprising IBM of the US and Westland.

The MoD, said the bidders had been asked to provide "costed options" for ways of "shaving down" the helicopter's performance to ensure it was affordable. Development and initial production costs are estimated at £2bn.

Officials told the committee the size of a second tranche of Navy orders, originally foreseen as involving 24 helicopters, was under review.

The committee was told that orders for another £2bn programme, for anti-tank helicopters, would be placed directly with foreign manufacturers, although other UK companies might participate.

The choice will be between the Franco-German Tiger, now under development, and a version of the US AH-64 Apache, currently in use in the Gulf.

A new UK performance target for the combat helicopter was expected to be ready around the middle of the year, the officials said. The helicopter choice would have a strong bearing on the future of the long-range Trigat anti-armour weapon programme, in which the UK is a partner with France and Germany.

The Franco-German helicopter would carry Trigat. But the MoD was looking at two options for the Apache, either adapting it to the European weapon system, or fielding it with US-designed Hellfire missiles.

Leaked papers signal closure of naval base

By Ralph Atkins

LEAKED documents which set a possible timetable for closing the Rosyth naval base in Scotland with the loss of up to 2,300 civilian jobs provoked a political row yesterday as the government insisted a final decision had yet to be taken.

Labour accused Scottish ministers of neglecting the region's interests and of being left out of decision making. Mr Gordon Brown, opposition spokesman on trade and industry, also claimed the documents showed the transfer of facilities to other bases would increase costs and duplicate resources.

Government ministers, clearly embarrased by the leak, admited closure was being considered. But they insisted all the implications would be reviewed and that the Scottish Office and Ministry of Defence were in close contact.

Mr Brown published three sets of leaked documents – the terms of reference of a group set up to advise ministers on possible closure, a timetable drawn up for announcing the decision and a letter from a naval commander.

The timetable sets February 25 as the deadline for completing the report by the "Rosyth options study group." On March 19, the Navy board would receive the report for a decision. The decision would be approved by ministers on March 28.

Mr Brown said the timetable showed the Scottish Office would be informed only two or three days before the decision was announced - unless a parliamentary statement was to be made in which case the Scottish Office would have only 24 hours.

The letter from Commander Michael Livesay says that many of those employed at the base would find it "very hard" to move to the south of England if facilities were transfered.

"If we close Rosyth we are in danger of losing a large number of good people . . . I am very concerned at the possible run-out of experienced men who include officers and senior and junior ratings," the letter says.

Mr Brown said the Scottish Office should "put their weight" behind the campaign to save the base. He and local councillors met Mr Allan Stewart, Scottish Office minister, yesterday to urge him to lobby for keeping the base open.

But after the meeting, Mr Stewart said: "No decisions have been taken" and that Mr Ian Lang, Scottish secretary, and Mr Tom King, defence secretary, were "in close touch over this."

The minister said the government "fully recognise the implications which closure of Rosyth would have for employment in the area. Those implications would be fully considered and examined before any such decision could be taken."

On BBC Radio, Mr Archie Hamilton, defence minister, said it was not yet clear that Rosyth was going to close "but we are certainly looking at that possibility."

Asked whether there was to be a meeting of the Navy Board on March 19 to approve closures, he said: "These are all confidential documents and it is very unfortunate things have to be discussed in the open."

Chieftain's follower awaits the end of war

Vickers, General Dynamics, Giat, and Krauss Maffie must wait a bit longer to discover the UK government's choice for the next army tank, reports Paul Abrahams

THE BRITISH Government's decision earlier this week to postpone replacement of the army's ageing Chieftain battletank until after the Gulf conflict provoked little surprise in the City of London.

"It's inconceivable that the government would come to a conclusion about what tank it wants for the next 30 years, only days before what is likely to be the largest tank battle in 50 years," said Mr Sash Tusa, defence analyst at Robert Fleming Securities.

"It would be highly foolish to take a decision without the benefit of seeing the armour in action."

The announcement was a blow for Vickers, the British group which is the leading competitor for the Chieftain replacement. It called the decision "frustrating."

The company's Challenger 2 tank is competing for an order of between 300 and 400 vehicles against the M1A2 Abrams manufactured by the American group General Dynamics, the Leclerc produced by Giat of France and the Leopard 2 built by Krauss Maffei the German company.

However, Vickers' chances of picking up the contract, when it is finally announced, are greater than they were 12 months ago, according to analysts.

Challenger 2: Vicker's hopes it can secure the order against foreign competition.

The political arguments for buying from Vickers could be considerable. A report published yesterday by the University of York on the economic consequences of the government's decision claimed that if Vickers won a contract for 300 tanks:

- About 108 jobs would be created and 2,400 jobs maintained, more than half of which would be in the north-east of England, an area of high unemployment. Further jobs could be created by exports.
- British industry would earn £250m each year for five years.
- Britain would add £16m to its balance of payments deficit each year, but this could be greatly offset by export orders for the tank.
- The UK would maintain a lead in specialised industrial capabilities, particularly in power systems, heavy armour plate and integrated fire control systems.

In addition, the opposition from the army which has, in the past, been less than enthusiastic about Challenger 1, appears to be in the process of being alleviated by the performance of Challenger 1 in the Gulf which has been better than expected.

The tank's reliability, which was always a problem in West Germany, has improved markedly. There have been claims that cutbacks of spares during the 1980s adversely affected the vehicle's reliability. It is now consistently achieving availability rates of more than 90 per cent in Saudi Arabia, according to the company.

The additional practice permitted in the desert has also improved the accuracy of the tank's fire power - an area that had previously created some controversy. Challenger 2 has the same chassis as Challenger 1, but a completely new turret and high-pressure gun to counter new types of armour.

Moreover, the contract is not as vital to Vickers as it would have once been. Vickers has diversified its automobile, medical engineering and marine engineering divisions in recent years, so that armoured vehicle construction represents only about 10 per cent of the group's profits.

"The downside of the tank business was never that great for Vickers," explained Mr Simon Roberts, engineering analyst at Schroders Securities, the London stockbrokers. "But the upside was considerable."

The main danger for Vickers of the delay is that it may damage its ability to win export orders.

The company claims it is already lined up for a substantial Challenger 2 order once the British government makes an order. Such orders, with high margins, could become extremely lucrative, according to Mr Roberts.

In the meantime, followers of the company will be awaiting a statement on Monday from Sir David Plaistow, the company chairman, when the interim results are announced. Indeed, analysts may well be more interested in how sales of the company's Rolls-Royce car division is doing in the US rather than how its tanks are performing in the Saudi desert. Last year, it represented 45 per cent of operating profits. Sales in the UK are down 65 per cent and are understood to have plummeted in the Americas.

Government may be forced to maintain some export cover

By Ralph Atkins

A REVOLT by Conservative MPs yesterday appeared likely to force the government to offer insurance on exports to politically uncertain countries for three years after the privatisation of the Export Credits Guarantee Department.

Amid backbench unease about adequate provision of state help for exporters, the government was defeated by eight votes to six during the committee stage of the bill paving the way for privatisation of the ECGD's short-term credit business.

Mr Keith Hampson, the Conservative MP for Leeds North West, who proposed the change, was joined by Labour and Liberal Democrat MPs. One Tory MP deliberately abstained and at least one other was absent.

Although Mr Tim Sainsbury, trade and industry minister, could seek to overturn the vote in later stages of the bill's passage through the House of Commons, the indications last night were that he would seek only modifications to the amendment made.

Ms Joyce Quin, the Labour opposition party's spokesman on the committee, said the government would be unwise to try to reverse the vote. She said the change was "the minimum" the government should do.

The amendment obliges the government, via the part of the ECGD which will remain in the public sector, to provide insurance or re-insurance against "political risk" for a minimum of three years after privatisation is completed.

It would cover exports to countries such as the Soviet Union, South Africa or Hong Kong.

Previously the government had said only that it would keep the system under continuous review.

But this had provoked fears among industrialists and some Conservative MPs that Treasury pressure would curtail support given to exporters.

EC freedom sought for financial advisers

By Ivor Owen, Parliamentary Correspondent

BRITAIN would seek to ensure that new European Community regulations did not "squeeze out" independent financial advisers, Mr John Redwood, the corporate affairs minister, told the House of Commons yesterday.

He said negotiations were continuing over the level at which exemptions should apply under the Investment Services Directive and the Capital Adequacy Directive.

Britain hoped to see more exemptions than was currently envisaged, although securing agreement might be difficult, and the final outcome would be decided by qualified majority voting.

Referring to the "passport" in the directive, the minister said the government would like to see independent financial advisers taking advantage of it across the board if the capital requirements were sensible.

He confirmed that the government had recently put forward a paper on equity positional risks and interest rate risks.

Mr Redwood stated, "We are negotiating on these proposals together and consulting widely with the industry concerned, and we wish to see the principal established that capital should be related to the risks being run."

He called on Ms Marjorie Mowlam, Labour spokeswoman on city affairs, to withdraw her recent accusation that Fimbra (Financial intermediaries, managers and brokers regulatory association) was in danger of bankruptcy. He said Fimbra had cash in the bank and a budget planned for 1991-92 which meant that its costs should not exceed its revenue.

The man from Del Monte he say "Oi."

Enough is enough. It's time all the confusion about who owns us was cleared up once and for all. There are two companies called Del Monte. One is PPI Del Monte Fresh Produce BV, currently owned by Polly Peck International. The other is us, Del Monte Foods International Ltd., (as in the man from Del Monte). We're the ones who bring you all those delicious fruit juices and canned fruits. And we're a totally separate company, owned by management, employees and a group of investors led by members of the Charterhouse group.

In other words, there is no connection between us and Polly Peck.

Del Monte Quality

Del Monte Foods International Ltd., Del Monte House, London Road, Staines, Middlesex, TW18 4JD, England.

UK NEWS

Sparks fly as electricity price rises are finalised

Juliet Sychrava on the background to the first increases since the supply companies were privatised

ELECTRICITY prices are about to go up by more than 10 per cent and the sparks are already flying between the government, the regulator and the electricity industry.

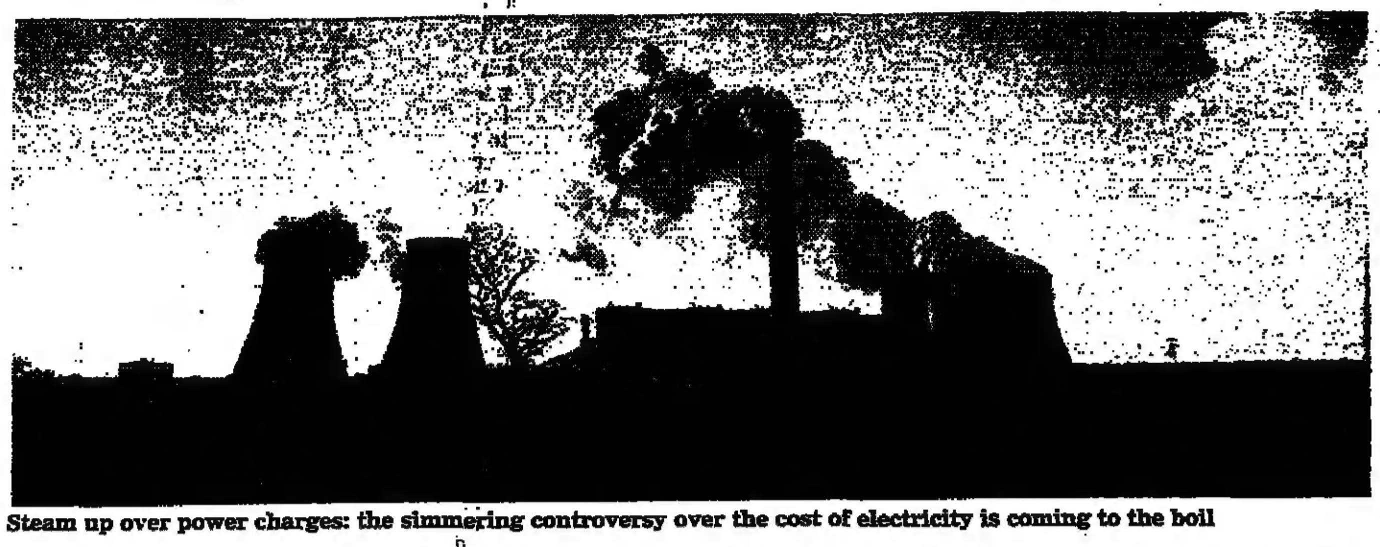
Over the next few weeks, as regional electricity companies finalise increases for the next year, the controversy over prices, which has been simmering since the industry was restructured early last year, will come to the boil.

Estimates of the price rises to come on April 1 outstrip government forecasts made last March. Then the government said that average increases to consumers using less than 1MW a year, which includes most businesses and all domestic users, would be around 9 per cent.

It said prices for large industrial customers, of which there are between 4,000 and 5,000 in the UK, would become more competitive.

Now the large industrial electricity users - those taking more than 1MW a year - could face increases of up to 25 per cent. Customers taking under 1MW may see prices rise by 10 per cent or more.

No one who read between the privatisation lines will be surprised. Prices to large industrial consumers have been pegged below inflation for some years, under government capping schemes. When the present scheme lapses at the end of March, prices are bound to increase.



Steam up over power charges: the simmering controversy over the cost of electricity is coming to the boil

The most vocal objectors to price increases are the large industrial consumers who negotiate their bills directly with their supplier. One said: "It seems extraordinary that the regulatory formula can allow these kind of increases at a time of recession."

However, their protests have *so far fallen on deaf ears. Prof* Stephen Littlechild, the industry's regulator, has no brief to interfere in the price negotiations and the government has rejected pleas for a price freeze.

Many of the separate charges which make up a large user's bill will rise in April: the charge for using the national grid will rise by 16.5 per cent and the nuclear levy will rise from 10.6 to 11 per cent.

Another important component of the final bill is the pool, or spot price of electricity.

This could rise from the 1.7p per kilowatt hour it has averaged *for most of the present* financial year.

So far the generators are known to have sold some contracts for the coming year at 2.4p and possibly some just below.

Many large users feel this is far too high relative to the present pool price. The differential between the two should close over the next few years. Stockbroker Phillips & Drew believes that by 1993 pool prices and contract prices will converge.

Meanwhile, all that the militant large users can do is take out pool-linked contracts with regional electricity companies, *although few have so far taken* that risk.

The regulations covering the prices to be charged to small users are more complex. The 12 electricity companies must submit their new prices to the watchdog, the Office of Electricity Regulation (Offer), early next month - 28 days before the price rises come into effect on April 1.

The mechanism built into the electricity companies' licences at the time of privatisation allows them to compensate in their price levels for any underestimation of their costs in the previous year. For example, if their inflation forecast was *wrong they can*, if they choose, recover that shortfall in the next year.

Last year, charges were based on government forecasts for inflation to October 1990 of 6.0 per cent. In fact, inflation was 10.9 per cent. Increases could be around 13 per cent from some regional electricity companies which have the option to increase their prices by up to another 2.5 per cent, to compensate for relatively low growth.

Prof Littlechild can invoke a special price cap which states that each company "must use its best endeavours" not to exceed cumulative inflation since 1989.

How he will interpret "best endeavours" is not yet apparent, although the privatisation prospectus stated that where a company incurred unforeseen costs, this cap could be waived.

The likely maximum increase under this price cap would be around 11.3 per cent, assuming 6 per cent inflation for the year to October, Offer says.

Any row over price increases may blow over by the end of April but underlying it is a problem that will take longer to resolve.

The two generators, National Power and PowerGen, still have considerable control over the price of electricity.

Last March the government said: "There will be no price regulation of generation in future, since the introduction of competition in generation will put a downward pressure on these costs."

How, when and whether this will happen is not yet clear.

BRITAIN IN BRIEF

UK will bar challenges to merger policy

Legal challenges to the government's policy on mergers by foreign state-owned companies would fail, a senior department of trade an industry official has told a Commons committee.

Mr Robin Mountfield, a deputy secretary at the DTI, told the trade and industry committee that Mr Peter Lilley, the trade and industry secretary, took legal advice before his decision last July to take a tougher stand on foreign state-owned companies buying British concerns.

Peter Lilley: took legal advice on tougher stance on foreign state mergers

He said the government was confident that it would win in court if its new merger policy was challenged.

It was consistent with new European Community rules governing mergers in the EC because it was non-discriminatory, according to Mr Mountfield.

Since 1984 the government has referred company takeovers to the Mergers and Monopolies Commission almost exclusively on competition grounds but in July last year Mr Lilley altered that policy to include mergers where the bidder was a state-owned company.

Building trade orders decline

Orders received by contractors last year tumbled by 17 per cent from £27.14bn to £22.47bn, according to the Environment Department, with the pace of decline increasing.

Contractors received orders worth £4.73bn during the three months to the end of December, almost 24 per cent lower than the £6.2bn worth of orders received in the same period of 1989 and the Builders Merchants Federation said sales of building materials in December had fallen by 10.8 per cent. Lex, Page 14

ICI to shed 250 jobs

Imperial Chemical Industries is to shed 250 jobs at the Grangemouth ICI plant in central Scotland, as part of the rationalisation of its textile dye production.

Some older plant technology at the Grangemouth site, which employs 1,450 workers, is to be scrapped.

ICI said demand for traditional anthraquinone dyes had fallen as they were replaced by more cost effective products requiring fewer production sites.

£450m flood protection plan

Nearly £450m needs to be spent on flood protection in eastern England within 10 years, the National Rivers Authority says.

Regional flood defence committee chairman John Martin said most of the money (£339.7m) would be aimed at sea and tidal defences, with the remainder (£107.3m) spent on river flood defences and flood warning systems.

Tarmac gets Tunnel contract

Construction company Tarmac has been awarded part of a £70m contract to instal railway track in the Channel Tunnel. Tarmac will be paid £15m for its part in a three-nation consortium to fit more than 100 kilometres of track inside the two main tunnels. Leading the joint venture will be French construction company Montcocol. With Tarmac they will be joined by two other French companies, Boric SAE and Travaux de Sud Ouest, and German-based Heitkam.

BAA accused on prices...

Regional airlines attacked the pricing policies of airport operator BAA, formerly British Airports Authority, warning they were *undermining the* UK aerospace industry and damaging regional economies.

BAA, which operates Heathrow and Gatwick, London's two main international airports, implemented "persistently and continuously discriminatory" charging policies against regional carriers at those airports, the European Regional Airlines Association told the Monopolies and Mergers Commission, the monopolies watchdog.

...as London's air traffic falls

The number of passengers using Heathrow and Gatwick airports in the fourth week of the Gulf war was down 26% compared with the same week last year.

Airports operator BAA said Heathrow numbers fell 28% and Gatwick 20%. But it added the figures were about the same as they had been in the weeks since hostilities started.

Action urged on job blacklists

All people denied jobs with an employer because they appear on political blacklists should have the legal right to see any information about them supplied by outside agencies, a House of Commons committee has recommended.

The select commitee on employment said it was concerned about the activities of bodies such as the Economic League which supply blacklists of employees who belong to political groups which may attempt industrial subversion.

The Economic League holds a blacklist of about 10,000 people who it believes "belong to revolutionary organisations dedicated to undercover subversion of industry."

No redundancies at Scots bank

Bank of Scotland told its 15,000 staff that it would not be making any redundancies in a belt-tightening programme aimed at reducing costs.

Mr Peter Burt, treasurer and chief general manager, said the bank was determined to achieve the reduction in costs "without resorting to the extreme measures of other banks."

Staff reductions will occur through natural wastage.

Porter resigns as poll tax set

Westminster city council leader Dame Shirley porter, announced a planned community charge, or poll tax, of £176 for the next financial year, one of the lowest in the country.

Dame Shirley: resigns as Westminster council head

At the same time, Dame Shirley, leader of the council for the last eight years, announced she would not be seeking re-election when her term of office ends in April. She is to continue as a councillor and will put her name forward as Lord Mayor of Westminster next May.

Dame Shirley became a controversial figure by adopting Thatcherite policies at Westminster, where more services were put out to tender than any other council.

Money supply

M0, the narrow monetary aggregate which is targeted by the *government*, increased at a higher than expected annual seasonally adjusted rate of 3.5 per cent in January, compared with 2.7 per cent in December, according to Bank of England figures.

UK food deficit

The UK imported £5.1bn more food and drink products than it sold abroad in 1990, so that the sector accounts for nearly a third of the country's £16.1m current account deficit, Food *from Britain*, the export promotion body, has said.

The food and drink deficit grew 9 per cent last year, surpassing motor vehicles as the largest contributor.

ARTS

CINEMA

The Pooters of Kansas

MR AND MRS BRIDGE
James Ivory

PACIFIC HEIGHTS
John Schlesinger

THE RUSSIA HOUSE
Fred Schepisi

TILAI
Idrissa Ouedraogo

MEET THE APPLEGATES
Michael Lehman

We all know the case for the [redacted]tion against James Ivory's films. Watching *A [redacted] With A View* or *Maurice* or the new *Mr And Mrs Bridge*, the filmgoer can die of an overdose of [redacted] taste. The victim's doctor would shine [redacted] torch in his lifeless retina, see there [redacted] fixed reflection of early-century elegance and pronounce death by gentility.

Yet there *is* also [redacted] case for [redacted] defence: Ivory [redacted] best can be [redacted] master at conjuring secret life from potentially [redacted] images. *Mr And Mrs Bridge*, [redacted] on two companion [redacted] about [redacted] Kansas City couple by Evan S. Connell, sprawls demurely [redacted] the [redacted] '40s. Paul Newman and Joanne [redacted] duo steering their marriage through the [redacted] of [redacted] changing America. Children rebel, elope [redacted] off to war; friends die [redacted] take [redacted] drink; fashions [redacted] passions change.

Their own frail serenity [redacted] around which [redacted] capital L [redacted]. In one funny, suspenseful [redacted] they dine [redacted] in [redacted] smart restaurant [redacted] sky-blackening [redacted] at [redacted] windows, driving everyone else to the basement. *Plus ça change*, says the film, *plus* Mr and Mrs Bridge stay imperturbably [redacted].

That tornado, in different forms, [redacted] them throughout [redacted] film. [redacted]ther spouse has any idea of how to deal with human passion. Newman, [redacted] domestic Woodrow Wilson in rimless glasses, barely bends from [redacted] perpendicular except [redacted]. (His opinion of the French on a trip to Paris is brief and damning: "Three-hour lunches and they hang around these cafés all night"). And Joanne Woodward's superbly-dithery Mrs B, voice tinkling like a crystal goblet, aims her disordered emotions at anything that moves: notably suicidal best friend Blythe Danner, who has caught a bad case of existential torment. "What's it all for?" wails Miss Danner, demanding [redacted] answer to the [redacted] when her [redacted] can barely [redacted] the question.

Brilliantly scripted by longtime Ivory collaborator Ruth Prawer Jhabvala, the film gives us suburban serendipity shot through with cosmic despair. While a world war comes and goes, the Bridge boy grows up and has girl problems and the Bridge girl grows up and has boy problems. (To Dad's horror, she becomes engaged to a plumber's son.) And when Mr Bridge's own secretary declares her secret love for him, his behavioural computer, programmed for placid propriety, sputters, stutters and all but implodes.

Exquisite in its command of place and period, this [redacted] a movie about people with small horizons. What raises it from the trivial to the tragicomic is that those small horizons [redacted] willed. Mr Bridge has chosen the blinkered life. His wife, with some bleats of protest, [redacted] joined him. And together two [redacted] people who might also have been [redacted] warm-blooded people become part of that formidable American beast, the silent majority.

Born fifty years later, Mr and Mrs Bridge might have been two unkempt house-owning yuppies like Melanie [redacted]fith and Matthew [redacted] in *Pacific Heights*. [redacted] would they have dealt with rogue [redacted] Michael [redacted]ton, who terrorises the couple from his studio flat in their San Francisco dream-home? Keaton, a wealthy psychotic, [redacted] rent, makes round-the-clock drilling and hammering [redacted] cockroaches, [redacted] his door against entry, and [redacted] and get hit on the nose. In the world [redacted] American property rental, [redacted] the law offers little protection to [redacted] landlord.

Written by Daniel Pyne from his own experiences (the mind boggles), [redacted] film is directed with initial panache by John Schlesinger. For an hour [redacted] sit enthralled [redacted] Modine and Griffith, their lives turned inside-out by Keaton, [redacted] their [redacted] tear [redacted]. We shiver [redacted] of [redacted] Mr Keaton. And [redacted] the rearing hill [redacted] house, [redacted] Keaton's [redacted] like [redacted] beetle [redacted] rock.

Unfortunately the [redacted] apart [redacted] the close, [redacted] cranked old-dark-house [redacted] and much girl [redacted] involving Miss Griffith. But by this stage we are so happily spooked [redacted] we stay on the ghost [redacted] unlikely stations it chooses to visit.

Even [redacted] worst, *Pacific Heights* has more brio than *The Russia House*. This is two hours of none-too-fizzy John Le Carré, decanted into an oversize tumbler by director Fred Schepisi (*Roxanne*, *Cry In The Dark*). On a wide, wide screen we move around [redacted] and Leningrad shadowing British spy and ex-publisher Barney Blair ([redacted] Connery), sent to prise [redacted] vital treatise on Soviet [redacted] technology from [redacted] writer Yuri (Klaus [redacted] Brandauer). [redacted] Yuri's beautiful courier (Michelle Pfeiffer) falls in love with Bar[redacted] and he, heigh-ho, with her.

Screenwriter Tom Stoppard deftly [redacted] Le Carré's multiple story [redacted]. Glimpses of electronic [redacted]veillance back [redacted] London – [redacted] Anglo-American spymaster ring led by [redacted] Fox and Roy Scheider and graced by a stark-mad Ken Russell – are cut into Russian scenes of suspense or romance. As well [redacted] providing [redacted] Big Brother undertow, this [redacted] witty answer [redacted] interruptus. Thrills and [redacted] in the USSR must keep stopping to be monitored by HQ in the UK.

Unfortunately the coitus here never lasts long enough to be interruptus. Mr Connery, [redacted]lendid [redacted] on as Blair, a whisky-weathered cynic [redacted] of mind [redacted] hair, is [redacted] too swiftly into the perfect spy; Miss Pfeiffer is a pretty cipher with an accent; [redacted] sparks they [redacted] together would barely ignite a Guy [redacted] sparkler. Moving [redacted] wrought [redacted]programmed charac[redacted] through their travelogue cityscapes, [redacted] film that starts wittily as a *glasnost* [redacted] through [redacted] whisky-glass darkly turns into a pub crawl through [redacted]h overfamiliar [redacted] stop-offs as "The Disenchanted [redacted] Agent" and "The Defector's Arms."

*

Tilai [redacted] wonderful African movie, [redacted] impassivity and dark grace are as [redacted] ballet as [redacted] cinema. Director Idrissa Ouedraogo's [redacted] film [redacted] put Burkino [redacted] on [redacted] map; [redacted] new film provides [redacted] whole contour-study of mores and [redacted] among a group of [redacted] tribespeople. [redacted] lovers decide to elope when the girl is threatened by [redacted] arranged marriage [redacted] lover's grizzled, [redacted] father. Only question: whither to [redacted] are few enough hiding-places in the desert, a wilderness of tawny [redacted] and trees like [redacted] hand [redacted].

Doom beckons. But the film's slow, stoical pulse is hypnotic. So is [redacted] comic gravity of [redacted] acting (mostly by members of the Ouedraogo family) and the director's flair for turning mud-hut villages into an echo-chamber for dialogue of a simple, Racinian grandeur. "My son, lie down, go to sleep," says a mother to a worried boy; "That's how the world is made." In a place where [redacted] sun [redacted] vast, flat, copper-hued crucible by day and a [redacted] kingdom [redacted] primitive enchantment by night, people speak – and no wonder – as if time, truth and feeling [redacted] just been invented.

*

The opening image [redacted] Leh[redacted] comedy [redacted] *The Applegates* is [redacted] high-speed [redacted] soars [redacted] the sky, stops suddenly [redacted] glowers down on [redacted] rain-forest. The [redacted] things [redacted]. It [redacted] up place and premise: a family of giant Brazilian bugs are [redacted] in turn [redacted] humans [redacted] re-locate vengefully in American suburbia. And it symbolises the excessive speed with which this [redacted] left the drawing-board [redacted] the screen.

[redacted] nasty-hilarious debut *Heathers*, this is a witty plot idea in search of further development. Ed Begley Jr and Stockard Channing twinkle as the [redacted] the perfect ex-bug [redacted] family (betrayed only [redacted] a lust for sugar and a fondness for forag[redacted] in dustbins); and [redacted] help guffawing at Spot the Dog, [redacted] insect [redacted] spectacularly to haunt him. But too much of the film, once [redacted], is slackly [redacted] and thinly written, just like the apple-pie American [redacted] it parodies.

Nigel Andrews

Joanne [redacted] and Paul Newman as 'Mr [redacted] Mrs Bridge', top; [redacted] Michelle [redacted] Sean Connery in 'The [redacted] House'

The Jewel Box

THEATRE ROYAL, NOTTINGHAM

The [redacted] *Grove* Dictionary defines a *pasticcio* as "A dramatic [redacted] sacred vocal work ... made up of individual, [redacted] arias, which the librettist put together in a specially-written text", and cites [redacted]ples dating [redacted] the beginning [redacted] the 18th century. In [redacted] *Box*, which Opera North unveiled in Nottingham on Tuesday, Paul Griffiths has set out to create just such a confection out of [redacted]atic left-overs, and to [redacted] around them [redacted] plausible dramatic whole.

Making something [redacted]tial and viable out of the tantalising fragments that Mozart left behind – operatic false-[redacted] his own; numbers [redacted] from finished [redacted] additions [redacted] works of other [redacted] – is by no means a [redacted]. Griffiths gets his overture and opening quartet from *Lo [redacted] deluso*, [redacted] from 1783, and much of the rest of his first act from arias contributed to [redacted] by Galuppi, Martin y Soler, Cimarosa and others; [redacted] second begins with [redacted] trio from *L'oca [redacted] Cairo*, another abandoned project from 1783, [redacted] incorporates several [redacted] along [redacted] way.

By careful selection the music has been allowed to [redacted] cast. [redacted] frequently wrote for specific sing[redacted] that, for instance, [redacted] arias [redacted] to The Singer [redacted] *Jewel Box* [redacted] be [redacted] originally written for Aloysia Weber, [redacted] Vienna Donna [redacted] in [redacted] of the numbers for The Composer were intended for Louise Villeneuve, the first Dorabella, and [redacted] on. That [redacted] yields *The Jewel Box*'s [redacted] of seven – [redacted] women – each with clearly defined [redacted] characteristics; all the opera lacks then is a plot, and dialogue [redacted] link the numbers.

By compiling an [redacted] around the business [redacted] writing an opera, using [redacted] for other [redacted] Griffiths ingeniously gives himself a [redacted]tric [redacted] dramatic frames: four archetypal characters from [redacted] buffa find that they have run [redacted] of music; the Composer is summoned [redacted] pro[redacted] more and is made to real[redacted] there can be more to [redacted] dressing up and artifice; and eventually the characters [redacted] freed from their two-dimensional exis[redacted]. With [redacted] these levels of stage reality, Griffiths *can* find [redacted] place for all his music; arias [redacted] can [redacted] in quotation marks, [redacted] part [redacted] main action.

It [redacted] clever conceit, playing with the concepts [redacted] reality in [redacted] Italo Calvino (who, incidentally, made [redacted] own performing version of Mozart's unfinished *Zaide*); [redacted] fleeting [redacted] that echo Calvino's libretto [redacted]. It packs in many allusions, [redacted] on many themes: touches and [redacted] on, [redacted] references [redacted] too arch [redacted] over-emphasised. Griffiths's [redacted] designed [redacted] elegant, [redacted]ing [redacted] for some delectable Mozart, [redacted] I don't think his scenario aspires [redacted] much more than that.

The production by Francisco Negrin, designed by Anth[redacted] Baker, is suitably dislocated, surreal; it looks frugal but always elegant. What the [redacted]ing [redacted] to Griffiths' scheme, where the compiler's role ended and the production [redacted] began, is impossible to determine.

It is passingly [redacted] too, though not with the roster [redacted] stylish [redacted] that ideally a piece like this needs to show off [redacted] vocal [redacted] Mary Hegarty as the buffa Pantalone, Pamela Helen-Stephen [redacted] *travesti* Composer, and Jennifer Rhys-Davies [redacted] the Singer of [redacted] who [redacted] him some of opera's [redacted]sibilities (in [redacted] fiendish Queen of Night difficulty) [redacted] all first class; the men – Mark Curtis, Quentin Hayes, Stephen Richardson [redacted] Barry Banks, the last miming [redacted] stage because of vocal problems and [redacted]gantly from the pit by Philip [redacted] – rather [redacted] convincing. Elgar Howarth's conducting [redacted] was [redacted] little lump[redacted] and rough-edged.

[redacted] when he [redacted] preserves [redacted] music critic's notions of perfection – [redacted] sound ravishing sung and played by the [redacted] one's dreams; in [redacted] performance a lit[redacted] of [redacted] just [redacted] contrived [redacted] over-elaborate.

Andrew Clements

Sir Georg Solti

ROYAL FESTIVAL HALL

A minor pleasure of Solti's [redacted] with [redacted] London Philharmonic [redacted] Tuesday night [redacted] the way [redacted] incorporated [redacted] programme. Since a royal patron was present, it had to [redacted] played; and Solti, or somebody, [redacted] had [redacted] wit [redacted] follow it with Haydn's Symphony no. [redacted], in [redacted] noble Adagio is built upon a version of the same tune.

[redacted] usual Solti's Haydn was alert and lithe, if [redacted] in sound than current fashion prescribes. There *was* a harpsichord, though, to play the little solo passage Haydn [redacted] in the [redacted] (the symphony [redacted] of Salomon's London concerts, [redacted] the composer's participation [redacted] commercial bonus) [redacted] support [redacted] strings throughout, [redacted] purpose. [redacted] delivered [redacted] with athletic flair, and if the final Presto [redacted] quite crackle [redacted] certainly bubbled. At this [redacted]ductor's hands nowadays, old Haydn invariably [redacted] benevolent, open, natural – [redacted] "nicer" Haydn, [redacted] to say, [redacted] the more complicated [redacted] knowing *persona* that has recently been thrust [redacted] the fore.

The main work, if hardly [redacted] greater one, [redacted] Bruckner's Second Symphony. Rarely heard in public, [redacted] was doubly [redacted] in [redacted] performance so strong, unhesitating [redacted] vivid. [redacted] and [redacted] – always crucial in [redacted] – [redacted] excellently telling, the brass on best behaviour, the orchestral [redacted] superbly achieved [redacted] in passages [redacted] Bruck[redacted] conception of it seems [redacted] and optimistic. Solti is of [redacted] a master [redacted] things; and his instinctive [redacted] of more [redacted] to this score – [redacted] length – [redacted] any leisurely dwelling [redacted] paragraphs. [redacted] there was much beautiful pointing of [redacted]. Solti merely refused [redacted] run any risk of droop.

[redacted] "over-stretched", but [redacted] (chiefly apparent [redacted] Finale, [redacted] material seems underdeveloped and the amount [redacted] stop-go tempts Fate) may rather lie in the trimming: [redacted] usual, [redacted] the slightly abridged Nowak edition. I [redacted] think I've ever heard the original [redacted]. It may well be that the work sustains itself [redacted] when [redacted] retains the deleted links – [redacted] an unfamiliar situation, among long pieces [redacted]hich got prudent trimming in their [redacted] of these days, it would be good [redacted] the Bruckner [redacted] is one [redacted].

David Murray

French song

ST JOHN'S,SMITH SQUARE

This [redacted] Welsh instalment in [redacted] devoted to French song [redacted] been running through the winter at St John's. A good-sized audience had turned up to see Della Jones and Bryn Terfel, fasci[redacted] no doubt [redacted] see what would happen when one applies [redacted] Welsh voices [redacted] personalities [redacted] this [redacted] intimate [redacted] art forms.

The [redacted] by [redacted] accompanist Malcolm Martineau. To [redacted] the right [redacted] of style into [redacted] so British singers with [redacted] known [redacted] record in the [redacted] must be [redacted] daunting task, though his own well-judged playing gives an *idea* [redacted] guidance he may provide.

It [redacted] be foolish [redacted] that what [redacted] on Tuesday could be [redacted] idiomatic singing of Debussy and Poulenc that one might hope [redacted] hear from native French-speaking artists. The words [redacted] not always spoken clearly. Several [redacted] small cycles [redacted] over-sung and over-interpreted. [redacted] on [redacted] important point [redacted] all [redacted] singers crucially had [redacted] right [redacted] they wanted [redacted] music [redacted] communicate.

Bryn Terfel started with three early Debussy [redacted], showing [redacted] fine [redacted] his voice, if not much spe[redacted] regard [redacted] the poetry. Poulenc's [redacted]*illageoises* [redacted] rumbustious for [redacted] own good. His [redacted] in [redacted] Don Quichotte settings by Ibert, [redacted] Chaliapin, where [redacted] chivalrous strength and the [redacted] romantic [redacted] were well caught in the singing.

In Debussy's *Proses lyriques* Della [redacted] sought out [redacted] colours in her voice [redacted] we do [redacted] know from her [redacted]sini and Handel, [redacted] for [redacted] "moon [redacted] gold", [redacted] for "night with velvet steps". The more approachable idiom [redacted] Poulenc's *Banalités*, though, suited her [redacted] really came into her own with Satie, her [redacted] l'Empire strutting proudly, teasingly, vulgarly, along Piccadilly.

[redacted] in [redacted] series, [redacted] in March and April.

Richard Fairman

Long Day's Journey into Night

BRISTOL OLD VIC

The vogue for family outings into the classical repertory continues. After the Cusack and Redgrave Sisters it is the turn of the Wests to strut their stuff in Eugene O'Neill's hefty autobiographical drama of dynastic doom. This touring co-production by the Old Vic and the National Theatre lines up the husband and wife team of Timothy West and Prunella Scales behind the Tyrones – ageing matinee idol and his morphine addict wife. It is power casting full of the wrong sort of power, which substitutes an English implosion of the emotions for the maudlin explosiveness of these Irish Americans.

O'Neill's obsession with the ghosts of his own past reached a peak with this 1941 portrait, embargoed until after his death, of a family riven by drug addiction and consumption. The play has a self-indulgent streak as wide as the Mis[redacted] Jonathan Miller tried to control by running tracts of dialogue simultaneously.

Howard Davies lets it roll in a setting, by John Gunter, of drab darkness punctuated by [redacted] of light from dis[redacted] doors. The justification [redacted] this is textually well-rooted in [redacted] of [redacted] Tyrone, which [redacted] responsible both for the petty embargo on adequate lighting and, more seriously, for his wife's innocent addiction and the denial to his consumptive son of the best treatment money could buy. But it has the unfortunate side-effect of plunging the actors in a gloom which obscures their facial expression in a way that is both visually dull and psychologically alienating.

In Mary Tyrone, O'Neill sublimates his guilt about his mother's morphine addiction, acquired on doctor's prescription after his own birth. This hauntingly tragic figure is transformed by Prunella Scales into a delicate figurine for too long held in clumsy hands. There is [redacted] sadness as the cracks appear beneath the glaze, but there is also a brittleness which obscures the physical desperation [redacted] a woman [redacted] would [redacted] thump her sick son than accept the [redacted] condition.

Timothy [redacted] her husband with [redacted] compassion [redacted] the clumsy patriarch who is to some extent author of his his own misfortunes, but his persona – bulldoggish, bent and growling – is too deliberate and controlled to capture the crashing contradictions [redacted] the star [redacted] turned [redacted]. West has charisma alright, but it is of a thunderous, unsexy kind that [redacted] more in common with Victorian England than [redacted] century [redacted].

The younger generation [redacted] better, with a pallid and self-lacerating consumptive [redacted] Stephen Dillane [redacted] by a [redacted] performance from Sean McGinley. This Irish actor has [redacted] dangerous quality well suited [redacted] the mercurial, overdrinking Jamie, [redacted] climactic speech of love and hate for his brother, for all [redacted] rambling indulgence, [redacted] one of the theatre's [redacted] seering expressions of the ties that cut as they bind.

Claire Armitstead

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Riccardo Chailly [redacted] Royal Concertgebouw Orchestra in Escher, Mozart [redacted] Schumann, also tomorrow [redacted] Sun. [redacted] Edo de Waart conducts Netherlands Radio [redacted] in concert performance [redacted] Die Walküre (718345)
[redacted] **Berlage** 20.15 Lukas Foss conducts Netherlands Philharmonic Orchestra in music by Ives, Tchaikovsky and Foss, with Miriam Fried soloist in Prokofiev's Second Violin Concerto (270466)

BERLIN

MUSIC
Deutsche Oper 19.00 Götz Friedrich's production [redacted] Le nozze di Figaro with Marie McLaughlin as Susanna (3410 249)
Komische Oper 19.30 Harry Kupfer's production of La bohème. Tomorrow [redacted]: Kupfer's production [redacted] Die Zauberflöte (2292 555)
Philharmonie Kammermusiksaal 20.00 James Levine conducts Mozart and Haydn with Berlin Philharmonic Orchestra. Also tomorrow and [redacted] (2614 383)
Berliner Ensemble [redacted] The Threepenny Opera. Sun: [redacted] Courage (2827 712)
[redacted] The [redacted] Prima Donna (2871 [redacted])
Maxim Gorki Theater [redacted] The Cocktail Party by T.S.Eliot (2082 748)
Schaubühne 19.30 Luc Bondy's production [redacted] The [redacted] Tale. [redacted] tomorrow and Sun [redacted]
Schiller Theater [redacted] 236)

BRUSSELS

[redacted] Galway [redacted] programme [redacted] and Stravinsky [redacted] Belgian National Orchestra conducted by Ronald Zollman (507 8200)
Monnaie 20.00 Jenufa [redacted] Linda Plech in [redacted] and Anja Silja [redacted] Kostelnicka, [redacted] (219 6341)

CHICAGO

Orchestra Hall [redacted] Andras Schiff is conductor and soloist with [redacted] Chicago Symphony Orchestra in an evening [redacted] Bach [redacted] orchestral [redacted]. Repeated tomorrow [redacted] 13.30 and [redacted] at 20.00. Sun [redacted] 15.00 piano recital by Emanuel [redacted] (435 [redacted])

DRESDEN

Kulturpalast 20.00 Siegfried Kurz conducts Dresden Staatskapelle in music by Brahms and Richard [redacted] with Garrick [redacted] soloist in Beethoven's Piano Concerto No 4. Also [redacted] (4866 286)

FRANKFURT

Alte Oper 19.30 Eliahu Inbal [redacted] Frankfurt [redacted] Symphony [redacted] in Tchaikovsky's [redacted] Symphony, with [redacted] Tipo [redacted] in Chopin's Piano Concerto [redacted] 2. Repeated tomorrow (1340 [redacted])

GOTHENBURG

[redacted] Jarvi [redacted] Gothenburg Symphony Orchestra in [redacted] Concerto for [redacted] Lemminkainen Legends. [redacted] tomorrow [redacted] (167000)

THE HAGUE

Danstheater 20.15 Premiere [redacted] new ballet by Paulo Ribeiro, also in [redacted] by Hans van Manen and Step Lightly by Paul Lightfoot. Repeated [redacted] Sat [redacted]

HAMBURG

Staatsoper 19.00 [redacted] Mattila sings Tatiana in Eugene Onegin, conducted by [redacted] Albrecht, [redacted] Sun. Tomorrow: Werther. [redacted] Lady [redacted] (351555)
Deutsches Schauspielhaus 19.30 Dostoyevsky's The Idiot. Tomorrow: [redacted] Torquato [redacted] by Hans Neuenfels (248713)

LEIPZIG

Opernhaus 19.30 Carmen. Tomorrow: Fidelio. [redacted] Entführung (7168 273)
Gewandhaus 20.00 Kurt [redacted] conducts Gewandhaus [redacted] in Prokofiev's [redacted] Alexander Nevsky and [redacted] Phaedra, [redacted] Heinrich Schiff soloist in [redacted] Concerto. [redacted] tomorrow(7132 [redacted])

LONDON

[redacted]
[redacted] **Garden** [redacted] Dalila [redacted] by Jacques Delacote, with [redacted] Baltsa. Repeated [redacted] (240 1066)
[redacted] of Jonathan Miller's production of The Turn [redacted] with Eilene Hannan [redacted] Governess. [redacted] (836 3161)
Royal [redacted] **Hall** [redacted] Yuri Temirkanov conducts Royal Philharmonic [redacted] in Borodin's [redacted] Mussorgsky's [redacted] Exhibition. (928 8800)
[redacted] Tilson Thomas conducts London Symphony Orchestra in Royal Philharmonic Society music [redacted] concert, with [redacted] Lympany [redacted] in Liszt Piano Concerto [redacted] 1. [redacted] Richard Hickox conducts Britten's [redacted] Requiem. Sun: Halle Orchestra play Brahms, Debussy, [redacted] (638 8891)
THEATRE
This week's [redacted] include The King [redacted] I starring [redacted] Hampshire (Sadler's Wells), Pinter's The Homecoming directed by [redacted] Hall (Comedy), What the Butler [redacted] by Joe [redacted] (Wyndham's) and Andrew Lloyd [redacted] musical Aspects of Love (Prince [redacted] Wales). Phone Theatreline: Plays 0836 430959 [redacted] Comedies [redacted] Thrillers 0836 [redacted]

MUNICH

Staatsoper [redacted] nozze di Figaro conducted [redacted] Wolfgang Sawallisch, with Felicity Lott as the Countess. [redacted] Entführung. [redacted] Götterdämmerung (221316)
Philharmonie [redacted] Jorg Faerber [redacted] Württemberg Chamber Orchestra in music by Haydn, [redacted] and [redacted] 614)
[redacted] **der Residenz** [redacted] Kammerphilharmonie plays music [redacted] orchestra by [redacted] and [redacted]
Kammerspiele [redacted] Ibsen's The Lady from [redacted] by Thomas Langhoff (23721 [redacted])

NEW YORK

[redacted]
Avery [redacted] **Hall** 20.00 Franz [redacted] his [redacted] York Philharmonic [redacted] conducting symphonies [redacted] Mendelssohn, with [redacted] Vengerov [redacted] in Tchaikovsky's Violin Concerto. [redacted] tomorrow at 14.00, [redacted] Tues (874 2424)
Carnegie Hall 20.00 Pierre Boulez conducts [redacted] InterContemporain in music by Nono, Ligeti, [redacted] Boulez. [redacted] Christoph von Dohnanyi [redacted] Orchestra. Sun: [redacted] by Samuel Ramey (247 [redacted])
Metropolitan Opera 20.00 Fidelio with Gary [redacted] as Florestan. Tomorrow: Le nozze di Figaro. [redacted] Luisa Miller (362 [redacted])
DANCE
[redacted] **York** [redacted] **Theatre** 20.00 New York City Ballet programme [redacted] Balanchine's [redacted] Barocco, music by Bach, plus three [redacted] (870 5570)
THEATRE
This [redacted] include Fiddler on the [redacted] with the Israeli actor Topol as Tevye (Gershwin), Stephen Sondheim's [redacted] musical [redacted] (Playwrights Horizons) and William Finn's musical [redacted] (Lucille Lortel). Ticketron (246 [redacted]) inquiries [redacted]

PARIS

[redacted] **Garnier** [redacted] Iphigenie [redacted] Tauride: first [redacted] evenings with Tanztheater Wuppertal [redacted] by Pina Bausch (4742 5371)
[redacted] **Champs-Elysées** [redacted] Orchestre [redacted] France in music by Ives, Carter [redacted] Druckman. Tomorrow: Elliott Carter [redacted] (4720 3637)
[redacted] **Pleyel** [redacted] Semyon Bychkov [redacted] in [redacted] Tenth Symphony [redacted] Mendelssohn's Concerto for Two Pianos, with Labeque [redacted]

VIENNA

Staatsoper [redacted] Zauberflöte. Tomorrow: ballet triple bill. [redacted] L'Elisir d'Amore. Sun: Gwyneth [redacted] sings Fidelio (51444 2960)
[redacted] Georges Prêtre conducts Mendelssohn and Richard [redacted] Vienna Symphony [redacted]. Tomorrow: Leonard Slatkin [redacted] Copland's Third Symphony [redacted] Louis Symphony [redacted] (7124 [redacted])
Burgtheater 19.00 Ibsen's An Enemy of the People directed by [redacted] Peymann (51444 2218)

WASHINGTON

Kennedy Center Concert Hall [redacted] Rafael Frühbeck [redacted] Burgos [redacted] Berlioz' La Damnation [redacted] Faust with [redacted] Florence Quivar, Kenneth Riegel and Justino Diaz, also tomorrow, [redacted] and next Tues. Sun: Cleveland Orchestra under Christoph von Dohnanyi (467 4600)

European Cable and Satellite Business TV
(all [redacted] CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 [redacted] Business report
CNN
0500-0530 Moneyline
[redacted] Moneyline
1230-1300 [redacted] Market [redacted]
[redacted] Day
2000-2030 [redacted] Business Tonight - a joint FT/CNN production [redacted] a review [redacted] day's major [redacted] World [redacted] Tonight
[redacted] Moneyline
Superchannel
[redacted] Financial Times [redacted] Report
[redacted] minute [redacted] briefing [redacted] three times [redacted] 0700 [redacted] 0800
[redacted] (Wed only) Financial Times [redacted] Weekly - [redacted] round-up.

SATURDAY
CNN
[redacted] Moneyline
0900-0930 World Business Tonight - a joint FT/CNN pro[redacted]
1540-1610 Moneyweek
[redacted] World Business This Week
2110-2140 Your Money

SUNDAY
Superchannel
1800-1830 FT [redacted] Weekly
CNN
[redacted] Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
0040-0110 Inside [redacted]

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday February 21 1991

Free trade in chips

THE READINESS of the Bush administration to extend its notorious semiconductor trade agreement with Japan makes it hard to believe that it was ever seriously interested in the Uru-[illegible] Round of trade talks.

Signed in [illegible] following [illegible] spate of anti-dumping and [illegible] plaints [illegible] unfair trade, the semiconductor agreement ranks as one [illegible] the most shameful episodes of trade policy during the Reagan [illegible] Not only did it backfire with a surge in prices which upset chip [illegible] in the computer industry; it led to an embarrassing [illegible] manipulation against Japan by the General Agreement on Tariffs and Trade; and [illegible] involved the imposition of unilateral sanctions by the US, which almost certainly contravened the [illegible] and [illegible] still only been partially revoked.

Dumping not [illegible] issue

A US administration that [illegible] in free [illegible] opportunity [illegible] lay these memories to rest, especially since [illegible] now readily admit [illegible] dumping [illegible] semiconductors is no longer an issue. Instead, Washington has begun negotiating an [illegible] the agreement with [illegible] new focus on prising [illegible] Japa-[illegible] market.

Supporters [illegible] Japanese market [illegible] only [illegible] opened under pressure. The original [illegible]ment, which expires [illegible] July, aimed [illegible] secure a 20 per cent [illegible] Japanese [illegible] for foreign suppliers. Unsurprisingly because Japanese industry [illegible] under [illegible] control, [illegible] has failed to meet this goal. The share [illegible] only from [illegible] to a peak [illegible] 13.3 per cent. [illegible] supporters say [illegible] agreement [illegible] needed [illegible] prevent even these gains being lost. There is no [illegible] of opening [illegible] market exclusively to US producers. It should [illegible] possible to reach [illegible] new accord [illegible] avoids controversial price monitoring and [illegible] letter [illegible] the Gatt.

These [illegible] do not convince. The present [illegible] and did wonders [illegible] profits [illegible] Japanese producers. It did not save the US D-Ram industry [illegible] though [illegible] it [illegible] keep the more specialist Eprom pro-[illegible] in business. The problem facing the US now is that [illegible] information technology industry is fragmented. Japan's [illegible] stronger [illegible] it is vertically integrated.

A new semiconductor pact will not change this. But it will fuel the deluded belief in the US that managed trade [illegible] the answer [illegible] the Japanese "problem". It will contravene the commitment [illegible] Uruguay Round participants [illegible] protectionist measures and to roll back those already in existence. Worst of all, it will attract imitators among manufacturers of [illegible] products which happen to find themselves distressed.

It [illegible] greatly to Japan's discredit [illegible] it can contemplate acquiescing. Japan ought by [illegible] be economically and politically strong enough [illegible] fear of confrontation and its neurotic need for appeasement. There is unlikely to be anything multilateral in practice about [illegible] new pact. Japanese companies [illegible] remaining [illegible] go. Yet [illegible] be no pretence [illegible] reciprocity [illegible] anything [illegible] than [illegible] policy. It distorts [illegible] a recipe for dwindling prosperity.

The Bush administration [illegible] succumbing [illegible] reciprocal approach [illegible] when [illegible] should [illegible] redoubling [illegible] to keep [illegible] multilateral system alive. This confirms [illegible] unfor-[illegible] way in which [illegible] policy has [illegible] hijacked by narrow private [illegible] interests. Equally worrying, it [illegible] a [illegible] in confronting [illegible] general [illegible] in Con-[illegible] punish Japan [illegible] of [illegible] reluctance to support [illegible] in [illegible] Gulf.

Price to [illegible] paid

The crude [illegible] the deal is this: Japan must pay [illegible] price, unilaterally determined by Washington, for continued access [illegible] the [illegible] semiconductor market. Japan [illegible] laid [illegible] open [illegible] such victimisation [illegible] the past. [illegible] will probably [illegible] again, but [illegible] heroism [illegible] for [illegible] rest of the world [illegible] applaud. Its [illegible] more worthy of [illegible] racketeers [illegible] gest power [illegible] the western [illegible] and [illegible] its [illegible] faith.

Pay flexibility in a recession

THE [illegible] labour [illegible] seems as oblivious as [illegible] to [illegible] life. The [illegible] is deep in [illegible] is now [illegible] officially-recognised recession, following two quar-[illegible] decline in [illegible] domes-[illegible] product; unemployment has been rising for 10 consecutive months; and [illegible] pay settlements show no sign [illegible] falling. The British labour market seems as inflexible as ever in the face of aggregate shocks to the economy.

The government's labour market reforms [illegible] not failed completely. They have succeeded, for example, in making pay relativities [illegible] flexible. Wage differentials have wid-[illegible] substantially [illegible] the past [illegible] between skilled and unskilled workers, the experienced and the [illegible] and [illegible] in [illegible] north and the south.

The government [illegible] hoped that these [illegible] might also allow overall wage inflation [illegible] fall faster, and with a smaller cost in terms [illegible] unemployment, than 10 years ago. But [illegible] flexibility in relative [illegible] does not, it now appears, entail more flexibility in the average [illegible] level.

[illegible] opposite may [illegible] true. The ev[illegible] far [illegible] that the reaction [illegible] the labour market is at least as slow as 10 years ago. In 1980, average earnings growth peaked during the second quarter [illegible] the recession and nine months [illegible] the rise in unemployment began. This time average earnings growth has remained stuck [illegible] around an annual [illegible] 9¾ per cent since March 1990. Since that time, unemployment has risen by [illegible] a quarter [illegible] million and the economy has probably entered its third quar-[illegible] negative growth. Yet there is still no convincing evidence that earnings have peaked.

Compensation sought

Pay bargainers remain [illegible] concerned with obtaining compensation [illegible] last years's higher than [illegible] inflation, than [illegible] delivering sustainable real wage [illegible] as inflation falls. Companies have responded [illegible] the decline in [illegible] contraction [illegible] profits by cutting investment, by probably futile attempts [illegible] raise prices and by reducing the quantity of labour they employ. [illegible] result, unemployment is quite likely to pass [illegible] by the end [illegible] this year, and [illegible] on rising.

In the UK, as is true of the [illegible] of Europe, the vast [illegible]ity of wages [illegible] set by collective bargaining. But in the UK such bargaining [illegible] particularly unco-ordinated, [illegible] unions [illegible] deeply entrenched in the pay-setting process. In good times, each company [illegible] an incentive to [illegible] increases [illegible] and motivate its workers. In bad times no [illegible] make the first [illegible] down, almost regardless of [illegible] need to [illegible] the level of [illegible] ments. They are unwilling [illegible] cut [illegible] wages [illegible] their skilled employees and [illegible] their [illegible] unions.

Flexible bargaining

[illegible] current recession [illegible] now progressed [illegible] far for a large rise in unemployment [illegible] be avoided. [illegible] co-ordinated shift [illegible] a flexible form of forward-looking bargaining could have prevented [illegible] of this rise. Sadly it was [illegible] Confederation of British Industry, backed by the government, which effectively [illegible] move, despite the TUC's qualified enthusiasm. A move in that direction could still do much to reduce the [illegible] the disinflation that [illegible] come.

Even if nothing [illegible] minimise the [illegible] this time, the aim [illegible] policy must be [illegible] remove the [illegible] comparable [illegible] in unemployment in future. A combination of flexible forward-looking wage contracts and greater synchronisation of pay bargaining would reduce the co-ordination problem characteristic [illegible] the UK's labour market.

More important still [illegible] macroeconomic policy that will deliver stability and low inflation. [illegible] aim [illegible] UK's entry [illegible] European exchange rate mechanism [illegible] end the need [illegible] deep government-induced recessions [illegible] kind the UK has [illegible] experienced twice in [illegible] decade. Inflation must now be [illegible] to [illegible] European standards and kept down. That way at [illegible] the price, which now [illegible] tain to be unnecessarily high, will [illegible] to [illegible] paid again.

The government is looking for an honourable retreat from the poll tax mess, says **Philip Stephens**

Tories prepare to sink their flagship

Mrs Margaret Thatcher called it her flagship. A [illegible] member of [illegible] cabinet refers to it [illegible] act of "fiscal vandalism". Mr John Major is preparing its [illegible]

The message reverberating [illegible] Westminster and Whitehall [illegible] past [illegible] days could hardly be [illegible] government, facing a general elec-[illegible] within 16 months, [illegible] possibly within four, [illegible] the poll tax.

[illegible] ago in Scotland and last April in England [illegible] Wales, the community charge [illegible] been the most expensive mistake in modern political history. It has cost the Conservatives hundreds of thousands, if not millions [illegible] the Treasury (finally the taxpayer) billions of pounds. It cost Mrs Thatcher her premiership. It could [illegible] Major the general [illegible]

The government [illegible] not yet [illegible] will replace it; [illegible] to which [illegible] comes next should retain the still-cherished principle [illegible] community charge — that everyone [illegible] something [illegible] local services.

But it is hard to find [illegible] the cabinet [illegible] the poll tax can survive in anything like its present form. A majority [illegible]eve that [illegible] prime minister will acknowledge publicly [illegible] it should [illegible] replaced [illegible] of property [illegible]

During [illegible] committee of senior [illegible] alternatives, Mr [illegible] been careful not to commit himself.

He has instead listened, questioned, probed. He has also made it absolutely clear [illegible] colleagues that [illegible] poll tax is one issue on which [illegible] prepared [illegible] delegate decisions.

But [illegible] Heseltine, the environment secretary, has presented [illegible] options [illegible] — notably Mr [illegible] Lamont, [illegible] chancellor, Mr Chris Patten, the party chairman, and Mr [illegible] Clarke, [illegible] retary — have [illegible] their views. [illegible] prime [illegible] acutely [illegible] of [illegible] political [illegible]

As one [illegible] puts it, Mr Major now accepts, "that we [illegible] lost the argument on the poll tax". [illegible] its merits or shortcomings, the tax has become an ugly totem, a symbol of everything the voters dislike about government policies.

Mr Major has admitted that there must be something wrong with a tax that starts with the principle that everyone should pay, and ends with a system under which 18m out of 36m have to be offered rebates to damp the political furore.

Nor have the billions of pounds spent in refunds and in additional grants [illegible] — Mr Heseltine added another £1.7bn only last month — staunched the bleeding.

On his trips around the country in recent weeks, Mr Major has been reminded at first hand of the message that panics his MPs. As a confidant puts it: "That's [poll tax] all anybody talks about." The opinion polls tell us what they have been telling him. The latest Gallup survey, taken after the [illegible] of Mr [illegible] new rebate scheme, shows that 75 per cent oppose the tax.

More alarmingly, the worst-hit by the switch from domestic rates have been the working class voters in Tory marginal constituencies in the Midlands and in the north of England who ensured the government its sweeping victory in 1987.

One cabinet minister is fond of musing that if Mrs Thatcher had asked the best brains in the country for a precision weapon to devastate her most important supporters they would never have devised anything as lethal as the poll tax.

Even in the staunchly Tory Ribble Valley, where the government is defending one of its strongest majorities, the message from the current by-election campaign is that the poll tax is sapping its support.

Almost every Tory MP has his own scapegoat for the débâcle. Some pour all the blame on Mrs Thatcher. Others [illegible] poll [illegible] could have worked if, as originally intended, [illegible] phased [illegible] over [illegible] years alongside [illegible] say [illegible] spendthrift [illegible] should have [illegible] their budgets "capped" [illegible] more aggressively. [illegible] to [illegible] much now [illegible] principle [illegible] accountability [illegible] was supposed to inject into local government. No one could have predicted the coincidence of its introduction with a harsh interest-rate squeeze.

But almost all agree on one thing. It is impossible to persuade the electorate that a flat-rate charge at anything like the current level of approaching £400 is fair. Voters simply will not accept that the duke and the dustman should pay the same.

For Mr Major, the conclusion is obvious. With the Gulf war offering the possibility of an extended electoral honeymoon, he has to keep open the option of a general election in June. Awful results because of the poll tax in the local elections on May 2 must not close that option.

So he has to be ready by the beginning of April to tell the voters that the government is prepared if it wins a subsequent general election to replace the sticking plasters of rebates and refunds with a new system of local government finance.

In one respect, there might be an opportunity for the prime minister to salvage political advantage from the wreckage. The poll tax was Mrs Thatcher's tax. By dumping it, Mr Major would reinforce his image as a prime minister with a distinct — and fairer — agenda. As one Tory MP commented this week, "caring Con-[illegible]vatism and the poll tax" are mutually incompatible.

But the [illegible] are far greater. Mr Major's instinctive caution has been reinforced by the view in Downing Street that a pledge to scrap the poll tax is not enough. The voters the government has alienated will have to be persuaded that what replaces it will be fair. "It is no good proposing something [illegible] would simply [illegible] another set of losers."

At Westminster there are almost as many proposals to amend or replace the poll tax as there are Tory MPs. A diehard few want to tinker with it by exempting working wives, nurses or students. [illegible] it could [illegible] funding [illegible] switched to central government. But most think [illegible] much more radical solution — including [illegible] shift to a property tax — is essential.

Officially [illegible] such [illegible] a [illegible] income or sales tax or a massive switch in local spending to central government are still on the table. But ministers do not regard them as serious options.

For his part, the prime minister so far has been convinced by the argument that the Tories cannot throw [illegible] completely the principle that [illegible] should [illegible] something [illegible] cost of local government. He is also persuaded that any reform he proposes must be right first time — and packaged as the first stage in [illegible] more basic reshaping of local government.

Mr Heseltine's favoured option (a banded property tax based on capital values with a small personal supplement for each individual) is designed to meet the prime minister's fear that a pure property tax would alienate the already restive right wing of the Tory party. Others think if the break is to be made it would be simpler and less politically damaging to abandon the poll tax completely.

Mr Major is determined that this time the government will get it right. It may be the best he can hope for is to get it less wrong than his predecessor.

Options fraught with danger

Richard [illegible] considers community charge alternatives

The [illegible] administrative nightmare that [illegible] poll [illegible] has [illegible] for [illegible] is [illegible] to continue for some time, whatever the outcome of the government's current [illegible] the financing and structure [illegible] local [illegible]

[illegible] through the agonies of setting up [illegible] charge, which followed 13 [illegible] legislation on local [illegible] finance [illegible] the past [illegible] town hall [illegible]surers [illegible] now resigned [illegible] going back to the drawing board.

Though there is still no confirmation that the community charge will be abolished, or that a revised form of domestic rates will be put in its place, a pattern is beginning to emerge from the tortuous discussions under way within the government and with local authority leaders.

An important priority is to solve the running sore of local government finance that has plagued relations between Whitehall and town halls for more than 20 years. This could involve replacing the present counties and districts by unitary authorities, and cannot possibly be implemented until after [illegible] general election.

What is already clear is that two possibilities have been firmly ruled out as impractical. A local income tax would devolve too much power from central government to local authorities and has been vetoed by the Treasury; and a local sales tax is judged not to be feasible in such a small country.

The field has thus been narrowed to reforming the poll tax, substituting it with a new form of property tax, or a combination of both. All the options are fraught with problems.

A property tax could be developed in a number of ways. The old, much-derided domestic rates were based on an assessment of rental value, but the house rental market is now is such a parlous state that this is regarded as an unlikely runner.

A more viable alternative would be a property tax based on capital value, which would have the rough justice of owners of bigger homes in better areas paying more than those in poor neighbourhoods.

There are drawbacks, however. Any new property tax would involve the setting up of new administrative arrangements and a revaluation of every property in the country. This would take months and could involve [illegible] lengthy appeals procedure.

The [illegible] value system [illegible] also be open to the charge of too few people paying for local services, so one option being [illegible] is for the householder to be responsible for an addition capitation charge based on the number of adults in [illegible] house.

The proposal for a combination of property tax and a residual poll tax is rapidly [illegible] on cost and administrative grounds. A poll tax that would be considered reasonable, say of £100, would cost about a tenth of its value to collect, as the full panoply of the register and collection process would have to be maintained by each council.

The [illegible] probable scenario is a spring statement announcing the early repeal of the poll tax and its replacement by a form of property tax. At a later stage, probably in the Conservative election manifesto, will come details of changes in the structure of local government aimed at reaching a consensus that will hold. It is at this stage that decisions such as transferring the costs of education from local to central government, and the possible abolition [illegible] the counties, will be made.

So far, no clear pattern has emerged from the authorities that have already declared their poll tax [illegible] for 1991-92. The flagship Conservative authority of Westminster [illegible] announced a level of £176, £19 less than this year's, but most have decided on an increase at or above the rate of inflation. The government's hope of an average poll tax in England of about £380 seems certain to be dashed, and the average is likely to creep well over £400.

OBSERVER

Deep in the red

■ Trade is bad even for the Soviet Communist Party. According [illegible] just issued by its business manager [illegible] Kruchina, it has lost not only influence and members, but nearly 2bn roubles of income — a sum which declines in value from around £2bn at the official rate, through £200m at the tourist rate, to as little as £70m on the black market.

Half of the drop reflects the party's loss of profitable newspapers such as the Moscow Evening paper, which have gone independent. Another Rs600m has been drained by a cut in party membership fees from 3 to 2 per cent of salary, and a further Rs100m by resignations.

The business manager's pledge of [illegible] redoubled cost-cutting drive portends that undisclosed cuts already made in party staff will continue.

Meanwhile, how[illegible], surviving officials' salaries have incr[illegible] sharply. For example, [illegible] secretaries (who Kruchina, once one himself, said get only two days off [illegible] year) have had [illegible] rise from Rs350 a month to Rs500-550.

More brightly, he added that the party had Rs 4.9bn in reserves and investments.

But that bulwark appears to be crumbling fast because of the need to hand out Rs1bn or so to republican parties, and Rs100m to unprofitable party newspapers, of which there are [illegible]. Sales of some, particularly Pravda, have been plummeting, occasionally to a fifth of previous circulations.

The party possesses 5,254 assorted buildings valued, Kruchina said, at some Rs2bn. The worth of its publishing houses was put at Rs1.6bn. It also runs 23 sanatoriums and rest homes worth Rs457m.

Cost cuts have included a blitz on hard-currency foreign travel, and on the importing of foreign comrades to Moscow. Even so, while only 60 officials [illegible] abroad in the [illegible] communists were brought in [illegible] "consultations, rest, and — if they wish it — training".

De-code

■ Jargon continues to overwhelm the railway authorities. Witness the guard on the 7.30 service leaving London for Glasgow, who told "all non-travellers to de-train". It looks [illegible] though we'll soon be asked to "train" instead of hearing the old [illegible] of "all aboard", and "de-seat" when we're supposed to stand up.

London Underground is also getting in on the act. At Baker Street, for example, an announcer wanting passengers to change trains asked them to [illegible] "cross-platform transfer". The reason, no doubt, was that the train had reached a termination situation.

Dame exits

■ London has never had a single dominant mayoral figure like New York. The nearest equivalent was Dame Shirley Porter, leader of Westminster City Council. But unlike New York's Ed Koch and her hero-[illegible] Margaret Thatcher, she has been able to choose when to call it [illegible] day.

Now she has done so, the question is whether Westminster, which takes in the Houses of Parliament and Buckingham Palace, will remain the force she made it as a testbed for radical local toryism. "She kick-started [illegible] dead dinosaur into action", says neighbour and tory MP Emma Nicholson.

The number of council committees was halved, 17 services have been contracted out, and school catering, cleaning and outdoor leisure will go this

"I bought all Asil Nadir's executive toys."

year. The ideologues dream of the day when all Westminster council matters could be reduced to a single short annual meeting.

The downside is that Lady Porter made some catastrophic misjudgements. Despite her impressive marketing skills, Westminster is nowhere near as well managed as is sometimes suggested.

An obvious successor is her deputy David Weeks. But Marie-Louise Rossi, daughter of Sir Hugh Rossi, and local businessman Simon Milton are both said to be [illegible]

In the meantime, Lady Porter's departure — she has not yet been rewarded with [illegible] seat in the Lords — means that Islington's Labour leader [illegible] Hodge becomes the uncrowned queen of London local government.

Coexistence

■ The new South Africa is a place rich in irony. For over [illegible] decade the worldwide anti-apartheid movement, under the leadership of the African National Congress, [illegible] to force Royal Dutch/Shell to pull out of the country.

The ANC-led campaign has had effects far outside South Africa. Only a fortnight ago it resulted in the removal of [illegible] from [illegible] on [illegible] Jersey turnpike.

So it is with some amusement that I hear the ANC has agreed to put up R20m to buy its first national headquarters building - from Shell SA.

Another twist is that, as Shell's new premises aren't yet ready, [illegible] will stay on for some months as the ANC's [illegible]

Boom of youth

■ Amid the firings in the City of London — some claim there have been 12,000 in past year, although [illegible] least half that number of new jobs have probably been created — it seems hard to believe that anybody has gained from the recession.

Nevertheless some have, according to the Jonathan Wren Executive recruitment consultancy. The beneficiaries, as usual, are the young at the expense of the older.

Wren's analy[illegible] upper-rank jobs offered [illegible] the average executive salary up to £41,794 from £38,336 over the last 12 months, a rise of [illegible] per [illegible] the [illegible] age of recruits employers [illegible] seeking has dropped [illegible] cent to about 31.

[illegible] result, [illegible] £-per-year-lived price [illegible] applicants has jumped from from £1,162 in [illegible] to £1,356 this year — a 16.7 per cent premium for inexperience.

Cheeky

■ An Irish travel company whose holiday advertisement was banned for flaunting the [illegible] of a bikini-clad model, has covered the offending area with the message: "Don't get [illegible] behind."

ECONOMIC VIEWPOINT

Classical liberals under the skin

By Samuel Brittan

Every economist worth his salt has always known that many political conditions have to be satisfied, and that many traditions of behaviour and attitudes of mind need to exist, before markets can function effectively. And if he did not know about these preconditions, he will have been forcibly reminded by events in central and eastern Europe. He will surely sense that there is a difference between countries such as Czechoslovakia, Hungary and Poland, where there are enough western traditions to give the market economy – as well as representative political institutions – a chance to function, and countries such as Russia (I do not mean the Soviet Union) and parts of the Balkans where the heritage [redacted] so different.

The time [redacted] ripe for a re-examination of [redacted] emphasi[redacted] primacy [redacted] political values over [redacted] instruments, and cultural dispositions over financial techniqu[redacted] (Readers wanting [redacted] know whether German interest rates have peaked can skip my column today.) Such ideas are dis[redacted] in John Gray's new essay, "A [redacted] disposition". The identity [redacted] the author is especially interest[redacted] For during [redacted] his [redacted] John Gray has been an exponent of classical liberalism, on which he [redacted] written several books, [redacted] studies [redacted] Mill and Hayek.

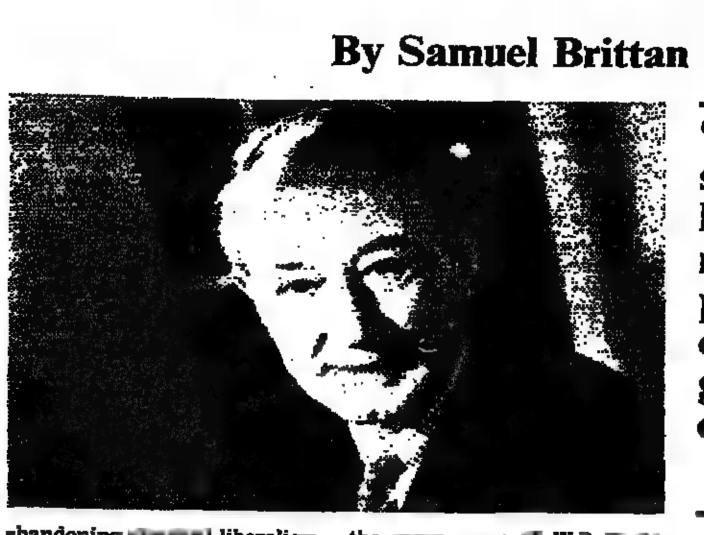
To the vulgar interventionist a classical liberal is simply a fancy name for a pro-capitalist Conservative. But for those [redacted] patience to investi[redacted] further there [redacted] of difference. A [redacted] liberal really [redacted] in [redacted] which [redacted] Conservatives [redacted] Republicans talk. If the [redacted] should not interfere with personal [redacted] in a supermarket, [redacted] in the jobs market, still less should it interfere with [redacted] citizen's personal habits (for example, [redacted] consume [redacted] drugs [redacted] alcohol) [redacted] he [redacted] read, view or listen to, whether the great and the good regard [redacted] as subversive, pornographic [redacted] whatever. [redacted] a classical liberal is as suspi[redacted] nationalism as he is of nationalisation.

John Gray, having [redacted] liberalism [redacted] he [redacted] individualist conservatism, will now have none of this. He believes there is no abstract right to freedom; but particular practices such as freedom from arbitrary arrest, an uncensored press or non-interference with the acts of consenting adults [redacted] grown up in certain fortunate [redacted]

Gray's official reason for abandoning [redacted] liberalism is that he could not find a rig[redacted] way of demonstrating it by deductive reasoning from some [redacted] of [redacted] *priori* principles. There [redacted] more per[redacted] why [redacted] Gray has changed [redacted] full [redacted] phrases such [redacted] and unavoidable [redacted] of human life", [redacted] the imperfectibility [redacted] man. Above all there is the [redacted] general theories, which "at [redacted] how little we know", and the dangerous [redacted] that human ills [redacted] cured by [redacted] doctrine.

[redacted] I [redacted] reading, [redacted] all seemed very [redacted] and reminded me [redacted] someone from a very different political [redacted] Then at last the [redacted] dropped. [redacted] Healey. [redacted] autobiography [redacted] had [redacted] an [redacted] an unusually [redacted] experience and [redacted] On [redacted] other page [redacted] is some dis[redacted] inflated claims [redacted] political and [redacted] and [redacted] on the superior[redacted] the arts [redacted] politics, both [redacted] source of personal [redacted] and [redacted] insight [redacted] the human condition. Healey's [redacted] social-ism [redacted] "an obstinate will [redacted] erode by [redacted] conditions which produce avoidable human suffering". This is not so different [redacted] Gray's defini[redacted] of [redacted] Both [redacted] and [redacted] even [redacted] the [redacted] poem [redacted] W B [redacted] (Meru) [redacted] speaks [redacted] "the desolation [redacted] reality".

[redacted] differ[redacted] Healey's scepti[redacted] and Gray's sceptical conservatism? One big [redacted] that with Healey optimism keeps breaking through. On his penultimate [redacted] he [redacted] that Yeats's icy dawn [redacted] not inevitable. He almost [redacted] Blake's Jeru[redacted] I [redacted] "almost" [redacted]



> **'Governing is a specific and limited activity, namely the provision and custody of general rules of conduct'**
>
> Michael Oakeshott

> **Most Tories who quote Oakeshott seem to know only one of his works**

[redacted] is followed by an [redacted] Tes[redacted] quotation, [redacted] to [redacted] that all [redacted] people were prophets", which could not [redacted] alongside [redacted] bitter dismissal [redacted] illu[redacted] progress.

Part of Gray's intention [redacted] the great political philosopher Michael Oakeshott, who died last December, aged 89. Oakeshott is occasionally cited by Tories who do not like [redacted] their party identified with [redacted] capitalism. Unfortunately most [redacted] them seem to [redacted] only one of the [redacted] works, namely his [redacted] on Political Education (reprinted in Rationalism in Politics).

This [redacted] the famous [redacted] "In poli[redacted] activity, then, men sail [redacted] boundless and [redacted] there is [redacted] harbour for shelter [redacted] for anchorage, neither starting place nor appointed [redacted]tion." The lecture also contains a well-known passage about political change following not from principles, but [redacted] "intimations" [redacted] an existing tradition, or an incoherence in that tradition. Ideologies [redacted] just crude "abridgements" [redacted] experience. All [redacted] Healeyism.

But there is far more to Oakeshott than [redacted] politicians [redacted] follow [redacted] In the same volume, and in [redacted] similar spirit, [redacted] Rationalism in [redacted] which he [redacted] the [redacted]tion of politics [redacted] engineering and [redacted] resolution of "felt needs" in a series [redacted] crises. The rationalist [redacted] castigated because he [redacted] imagine [redacted] politics [redacted] not consist in solving problems [redacted] political problem which has [redacted] rational solution [redacted] all. So much for [redacted] pre-election policy [redacted]

Unlike Gray, [redacted] believed that [redacted] under-stand rather than [redacted] prescribe. An unfortunate [redacted] that too little is known [redacted] positive views, [redacted] far more clearly defined than some of the usual quota[redacted] would suggest. He believed that "governing [redacted] a specific and limited activity, namely the provision and custody of general rules of conduct, which are understood, not as plans for imposing substantive activities but as instruments enabling people [redacted] pursue the activities [redacted] their own [redacted] with the minimum frustration, and therefore something which it is appropriate to [redacted] conservative about".

He [redacted] developed this insight into [redacted] clear-cut difference [redacted] the view of [redacted] state as a "civil association" which held the ring for people [redacted] pursue their own activities, and the [redacted] an "enterprise association" embarking on projects such as doubling the standard of living or (far worse) improving the balance of payments or standing up [redacted] Japan in world trade. His view of the state [redacted] civil association was remarkably similar [redacted] that expressed by Hayek – except [redacted] Oakeshott did not try to prove that the civil association would also deliver high living standards, or that economic catastrophe would follow the confusion of the state's role with that of an enterprise.

"One-nation" Tories who regard [redacted] as [redacted] almost invariably [redacted] the state [redacted] an enterprise [redacted] But the Tory right would [redacted] part company [redacted] him if they [redacted] familiar with his repeated and justified assertion [redacted] and nationalism [redacted] the [redacted] promoters [redacted] the state-as-enterprise her[redacted] the [redacted] the characteristic preoccupation of the Tory right with authority, deference, obedience, hierarchy [redacted] ruling [redacted] to [redacted] found [redacted] Gray.

Whether [redacted] like [redacted] not, [redacted] ideal [redacted] the [redacted] liberalism, not conservatism. [redacted] liberal and [redacted] servative traditions is [redacted] me by the amount [redacted] John Gray spends [redacted] pamphlet rebuking Conser[redacted] for trying [redacted] on society [redacted] departed family ideal, for pretending [redacted] ground their views in religious beliefs, [redacted] recognising [redacted] case for decriminalising drugs [redacted] the US. Eventually [redacted] will find [redacted] way [redacted] liberalism; and [redacted] political party unequivocally [redacted] with this belief, is, if anything, [redacted] of strength.

[redacted] Cited: John Gray: A conservative disposition, Centre for Policy Studies, 1991; Liberalisms, Routledge, 1990; Denis Healey: The Time of My [redacted] Michael Joseph, 1989; Michael Oakeshott: Rationalism in Politics, Methuen, 1962; On Human Conduct, Oxford, 1975.

BOOK REVIEW

Show biz and senators

THE POWER AND THE GLITTER
By Ronald Brownstein
[redacted] Books, New York: $24.95

The relationship between show business and American politics has always been intimate.

Frank Sinatra kept John Kennedy [redacted] until his business connections proved [redacted] troublesome. [redacted] Beatty [redacted] so [redacted] Gary Hart that [redacted] wondered whether the film star wanted [redacted] be the presidential candidate, [redacted] vice versa. Ronald [redacted] played [redacted] roles of actor and president with disarming ease.

The relationship between politics and [redacted] business [redacted] the US also revolves around money. Because the costs of running for [redacted] office [redacted] so high [redacted] US Senate race [redacted] can [redacted] up [redacted] $15m), Demo[redacted] and Republicans alike come to Hollywood, where their fund-raisers organise [redacted] breakfast or the $10,000-a-plate dinner.

Ronald Brownstein, [redacted] national political [redacted] with the Los Angeles Times, [redacted] thoughtful, readable account [redacted] he calls the "Hollywood-Washington connection", [redacted] it has [redacted] of [redacted] moguls in [redacted] late [redacted]

[redacted] begins [redacted] story with Louis Mayer, [redacted] founder [redacted] MGM, who dabbled in politics [redacted] William [redacted]dolph Hearst, [redacted] Californian publishing magnate, and his [redacted] Hoover, [redacted] term Republican president. The [redacted] picks up [redacted] fall [redacted] Popular Front [redacted] Hollywood, [redacted] McCarthyist backlash, and the career [redacted] Helen Gahagan Douglas, [redacted] one-time beauty [redacted] Senate in 1950.

Throughout the book, Brownstein, a former speechwriter [redacted] Ralph Nader, [redacted] consumer activist, [redacted] observer [redacted] liberal politicians. The commu[redacted] who [redacted] Hollywood in the 1930s in the hope [redacted] using the film industry [redacted] influence public opinion [redacted] given short shrift; but so [redacted] are sympathisers such [redacted] Lillian [redacted] who, as [redacted] as [redacted] passing fawning [redacted] support of Stalin.

The [redacted] turns [redacted] waspish [redacted] author [redacted] with the [redacted] and 1970s, an age [redacted] Hollywood activism which [redacted] film stars [redacted] increasingly assertive on [redacted] presidential candidates. [redacted] is often [redacted] funny. He captures Shirley MacLaine promising to cut the US defence budget by more than its total; in a later pas[redacted] he sums up [redacted] Fonda, the rebel in search of a cause. "Fonda wanted something more pungent," [redacted] Brownstein of her marriage with Roger Vadim, the French [redacted] director. "She had already experienced cocktail-party revolution in [redacted] salons of Paris, raising [redacted] the maid [redacted] hors d'oeuvres."

Above all, the author captures the breathless self-importance of the Hollywood set, a self-importance based on privilege, money, and a belief that in the [redacted] imagery, symbolism and television, [redacted] something special to offer [redacted] say.

Shirley [redacted] summed up [redacted] view [redacted] the world dur[redacted] an interview with [redacted] York [redacted] in 1971: "What I'm most [redacted] days [redacted] manipulating [redacted] system. [redacted] today communications are [redacted] important [redacted] politics. I [redacted] unabashedly [redacted] my celebrity [redacted] try [redacted] influence people. I think this [redacted] my power. I mean, [redacted] good [redacted] my turquoise swimming pool in California [redacted] anybody else?"

> **Reagan played the roles of actor and president with disarming ease**

The irony, [redacted] course, [redacted] that the only Hollywood figure [redacted] made it [redacted] the top [redacted] Reagan. [redacted] the [redacted] House in [redacted] stunned liberal Hollywood [redacted] could [redacted] imagine how [redacted] true conservative, let alone a B-movie actor, could [redacted] presidency.

[redacted] was [redacted] instance [redacted] film [redacted] believing [redacted] rhetoric. To assume that Reagan prospered [redacted] stage[redacted] alone [redacted] profound mistake; [redacted] says, [redacted]gan was by [redacted] a two-term [redacted] of California, a strong runner in the 1976 Republican presidential campaign, and a man [redacted] addressed public con[redacted] about the drift of the Carter [redacted]

A more challenging question [redacted] Reagan's [redacted] this: how [redacted] Hollywood's innate liberalism marginalised its impact on national politics? [redacted] other words, are the [redacted] studios actually getting for their money?

This is not something which Brownstein quite puts [redacted] finger on. [redacted] is [redacted] example, on the tax [redacted] and other favours which the motion picture industry has picked up [redacted] a result of [redacted]tive lobbying in Washington.

Brownstein acknowledges that Hollywood [redacted] not [redacted] the tone of [redacted] politics; its [redacted]port, though often avidly courted, rarely [redacted] decisive. So, [redacted] concludes: "Hollywood's participation in national poli[redacted] important on who [redacted] for what [redacted] about the mysterious interaction between [redacted] and politics, and how the [redacted] the dominant form of public discourse transformed American life [redacted] the [redacted] World War."

[redacted] Brownstein [redacted] observations, rather than conclusions. Reagan, notoriously insensitive [redacted] civil rights issues, [redacted] Michael [redacted] phenomenally [redacted] singer, to [redacted] In [redacted] the Reagan re-election campaign in [redacted] appropriated [redacted] Spring[redacted] album Born in [redacted] as [redacted] theme (in spite [redacted] of unmet promises [redacted] American dream).

Yet [redacted] politicians are bound [redacted] piggy-back on something which has popular appeal, particularly if they [redacted] manipu[redacted] own ends. The Reagan campaign, worried [redacted] Springsteen [redacted] and turned [redacted] into a [redacted] of Morning in [redacted] in [redacted] clever, calcu[redacted] appeal [redacted] younger voters.

The [redacted] lesson seems [redacted] be that, in [redacted] party labels, [redacted] politicians need something [redacted] give [redacted] definition. This [redacted] particularly true [redacted] politics; [redacted] holds doubly good in a country where politics often comes [redacted] to [redacted] money and being left alone [redacted] enjoy the good life. Here, [redacted] Hollywood has [redacted] to [redacted]

Lionel Barber

LETTERS

The case for export credit support

[redacted] Mr D.W. Cawthra.

Sir, [redacted] Tyrie's [redacted] "The unacceptable price of British exports" (February 1) was largely founded on the premise that provisions against possible bad [redacted] are the same thing as realised trading [redacted] based on this erroneous assumption, [redacted] presenting an [redacted] and [redacted] picture weakened further by irrelevant [redacted] the Gulf conflict.

The Export Credits Guaran[redacted] Department's financial problems [redacted] rightly a [redacted] but they [redacted] be seen in perspective. They [redacted] from the [redacted]precedented [redacted] international [redacted] which affected every export credit agency and international lending institution in the industrialised world. Mr Tyrie ignores the point that ECGD has traded at no net cost to the taxpayer for most of its 70-year life in the course of which £250bn of export sales have been achieved at immense benefit to employment, industry and the Treasury's coffers.

Given the widespread recession in the project-buying sector, especially in countries which have had debt problems in the past, capital goods exports may currently amount to a relatively small percentage of total UK non-oil exports; but they are still a very large absolute sum – some £2bn-2.5bn per annum. They are heavily concentrated in our strategic capital goods and defence industries; about 20 per cent of exports in these sectors is probably supported by ECGD.

These sectors also depend on exports to sustain capacity if they are to be able to compete economically for domestic business. If the government's export credit support fails to match that of our main overseas competitors, many multinational companies operating in the UK would be forced [redacted] move their procurement and thus their [redacted] abroad.

That means that we would lose not just a percentage of our exports but potentially large swathes of domestic activity [redacted] well. The impact on the balance [redacted] payments would be much more severe [redacted] imports inexorably [redacted] Moreover, while large project business involves a relatively small number [redacted] large companies [redacted] contractors, literally thousands of small companies depend on [redacted] exports as a vital part of their workload.

Over half the world's population lives in the countries mentioned by Mr Tyrie. If we were to trade only with low-risk countries [redacted] whose political systems we approve, we would trade with a very small number. No one but governments can [redacted] political risks of the size and dimension involved in export projects. [redacted] do this in all [redacted] major exporting countries. There are no signs whatever that other governments are following ours, even to adopt the Portfolio Management System, let alone Mr Tyrie's more fundamental proposals. Has every other country got it wrong?

The article claims the annual costs of ECGD are running at £1bn. Of this sum the interest rate cost, said to be £400m per annum, will disappear when UK interest rates fall to reasonable levels, one of the prime objectives of government policy. As to £600m per annum for net claims on an ongoing basis, nothing in ECGD's trading history supports such a likely outcome.

British industry does not expect government support for export sales if there is no prospect these will be paid for. It does expect to be put on an equal footing with its international competitors and for the UK government to march in step with other western governments in matters relating to export policy. Major British Exporters will continue to press its case in these matters forcefully and without apology.

D.W. Cawthra,
director,
Major British Exporters,
64 Clapham Road, SW9.

From Mr Ceri Jones

Sir, Andrew Tyrie suggests the ECGD's continued existence in anything like its present form may not be worth the cost. As an economist who spent two years in the ECGD risk management division before joining the private [redacted]tor, I believe the cost of the department cannot be justified.

The government is to be congratulated on [redacted] decision to privatise the short-term credits division based in Cardiff. It has no business running [redacted] competitive, commercially-viable insurance company. The long-term credits division based in London is in a differ[redacted] position. With debt provision currently standing at £7.25bn it is hardly an attractive candidate for privatisation. The radical option which the government [redacted] far failed to exercise is to close the department, except perhaps for [redacted] small section, which could deal with [redacted] in the "national interest" and [redacted] not [redacted] any pretence that it operates on com[redacted] guidelines.

ECGD sees its primary function as to promote exports. It does this by offering credit in circumstances where no other insurer would contemplate taking on such risk, or the premium charged would be prohibitive. The ethos of export promotion which permeates ECGD does not sit easily with its stated objective of operating as a commercial undertaking. If ECGD made decisions on the same commercial criteria as other insurers, much of its business would never have been taken on.

The overhang of the debt crisis means that, regardless of decisions [redacted] from now on, claims on existing [redacted] will cause [redacted] to continue [redacted] spiral. [redacted] is little ECGD can do about this. But it can take [redacted] limit the [redacted] of new business [redacted] problem markets. [redacted]nately, ECGD displays a worrying [redacted] to [redacted] forward-looking in its risk management. [redacted] department is loath to turn business away in any market which has not previously defaulted, by which time it is, of course, too late.

A relatively small amount of ECGD business is conducted in [redacted] "national interest" on [redacted] separate non-commercial account. If the intention is [redacted] provide aid, this role should proper[redacted] be conducted by the Overseas Development Agency and the aid directed where it is most needed rather than according to political expediency. The way in which ECGD continued to cover substantial business in Iraq, despite both its appalling human rights record and its precarious finances, [redacted] a testimony to [redacted] amoral political stance as well as its lack of business acumen.

Given the huge amounts of money involved, the public has the right [redacted] know [redacted] about ECGD's exposure and the inherent [redacted] Such knowledge would, I believe, bring into question ECGD's existence as [redacted] supposedly commercial insurer in long-term credits.

Ceri Jones,
[redacted] Gardens,
Highgate, N6

Tax penalty on investment

From the director general, Engineering Employers Federation

Sir, Peter Norman (February [redacted] one [redacted] from his assessment of [redacted] chancellor's room for economic manoeuvre. This is the urgent need to remove the anti-investment bias which is an integral feature of the existing corporate taxation system.

Our balance of payments problem is the direct result of the reduction in the UK manufacturing sector, which is now too small to support the rest of the economy. As the illusions of being able to live easily on services and North Sea oil are being painfully dispelled, so the need to regenerate our manufacturing capacity should be clear to everyone.

Increased investment in manufacturing is the key to recovery and this is unlikely to be achieved if companies continue to suffer a tax penalty on investment expenditure.

It is to be hoped that this anomaly, and the importance of manufacturing to the economy, are now fully recognised in the Treasury.

Peter Brighton,
Broadway House,
Tothill Street, SW1

Away days

From Mr John Royle.

Sir, I would offer revenge rather than "funk" as a motive for the continued avoidance of the airlines by seasoned business travellers. At last, we can see some way to get our own back for the continual "air traffic control delays" and other familiar hassles that have made travelling by air such an ordeal over the past few years.

Perhaps by avoiding airlines and airports for a while, we may persuade them to treat their customers like human beings rather than cattle. It is good to think that the long-term car parks must be suffering, too.

John Royle,
13 Airedale Avenue,
Chiswick, W4

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Thursday February 21 1991

Greenspan cautiously optimistic on recovery

By Michael Prowse in Washington

Federal Reserve Board chairman Alan Greenspan

THE US recession [illegible] likely [illegible] be "shorter and shallower" than [illegible] previous post-war downturns, Mr Alan Greenspan, chairman of the US Federal Reserve, said yesterday.

Mr Greenspan expressed cautious optimism that substantial [illegible] in interest [illegible] would revive US economic growth later this year.

Delivering the biannual Humphrey-Hawkins testimony to Congress, however, he conceded that the US economy was not yet bottoming out.

There was a risk that frayed business and consumer confidence could interact with a weakened financial [illegible] to produce a further decline in the economy. His comments [illegible] put in perspective by further discouraging economic statistics yesterday.

The Commerce Department reported a 13 [illegible] fall in housing [illegible] in January – [illegible] the lowest level for nine [illegible]. The figures were much worse than expected and may depress hopes [illegible] since construction is a sector that usually [illegible] parts [illegible].

Separate figures also showed a rise in the underlying rate of consumer price inflation.

Mr Greenspan said it would be unwise to rule out the possibility that the recession would become "more serious than already is apparent". The main danger was that the erosion of purchasing power and frayed consumer and business confidence stemming from the recession could interact with a weakened financial system to produce a further decline of the economy, he said. Details Page 6

Mr Greenspan took care to defend himself against charges of failing to act decisively enough to prevent a recession.

He said the Fed had used all the tools at its disposal – including two cuts in the discount rate, to 6 per cent, and an easing of banks' reserve requirements – to revive the economy.

Questioned by members of the [illegible] Banking Committee, however, he [illegible] say whether further monetary easing would be [illegible].

Mr Greenspan [illegible] would be no changes [illegible] the monetary [illegible] provisionally set last July. The target for M2, the most widely watched monetary measure, is for growth of between 2½ per cent and 6½ per cent, slightly tighter than last year's target of between 3 per cent and 7 per cent.

In recent months, the Fed has been criticised for allowing M2 growth to slow almost to zero. Mr Greenspan said an easier monetary policy could not resolve the "market imperfections" that were impeding the supply of credit to sound borrowers.

[illegible] task would require [illegible]ulatory reforms, including additional [illegible] information by banks and greater efforts by regulators to adopt "prudent and fair" standards. Banks should [illegible] more able to borrow at below market rates from the Fed's "discount window".

The Fed's economic forecasts for 1991 indicate growth of [illegible] 1½ per cent, inflation of [illegible] per cent and [illegible] per cent and unemployment peaking [illegible] between 6½ per cent and 7 per cent. *These are broadly in line with previous optimistic forecasts by the White House.*

EC aid package fails to satisfy airlines

By David Gardner in [illegible]

THE EUROPEAN [illegible] yesterday approved [illegible] package of [illegible] to help airlines bear [illegible] caused by [illegible] Gulf [illegible].

[illegible] the move appears [illegible] to have [illegible] an industry struggling through [illegible] crisis for decades, nor entirely [illegible] have allayed [illegible] that it might [illegible] the EC's air liberal[illegible]. The [illegible] as expected.

The Commission will speed up changes [illegible] air fares, and member [illegible] are urged [illegible] follow suit. [illegible] aid to compensate for higher security and insurance costs, together with deferred air traffic control charges, will [illegible] sympathetically.

Airlines will [illegible] to band together to [illegible] the [illegible] flying unprofitable [illegible] without anti-trust action being taken, while landing [illegible] "slots" they [illegible] as a [illegible] will [illegible] be [illegible].

[illegible] are urged [illegible] reduce value [illegible] on air [illegible] a maximum of [illegible] per cent, against [illegible] current [illegible] per [illegible]. But [illegible] regime will apply for only three months, after which requests [illegible] will be scrutinised.

"There is no question [illegible] general indemnity," Sir Leon Brittan, EC competition commissioner said. "We will look with extreme suspicion [illegible] arguments which [illegible] still suffering [illegible] the aftermath of [illegible] war".

The [illegible] of European Airlines (AEA) [illegible] limit "a failure", arguing [illegible] would take [illegible] to implement, and that the airlines would have [illegible] go [illegible] the Commission [illegible] shortly afterwards.

"[illegible] are disappointed," the AEA added, "not to find any [illegible] of how [illegible] interrupt the process [illegible] EC legislation whenever it [illegible] a negative cost impact [illegible] airlines."

[illegible] problem is that liberalis[illegible] is supposed [illegible] have an impact on [illegible] costs and efficiency. This will be the [illegible] ground [illegible] the Gulf war [illegible] airlines [illegible] traffic, [illegible] the recession and [illegible] of [illegible] expansion.

[illegible] is meant [illegible] draw in lower-cost [illegible] entrants to compete with the flag carriers, and, Commission officials say, will lead to a consolidation of the European industry, through [illegible] and joint ventures, privatisations, and possibly failures, too.

"We are bound [illegible] move towards a system of regional feeders and hub airports," one official [illegible] yesterday. It was "always implicit [illegible] the logic," says another.

EC deregulation so far has tried to [illegible], stimulate price competition, and crack [illegible] on [illegible] over routes. From now to 1993 – and beyond – [illegible] intention [illegible] that all airlines should [illegible] able [illegible] own fares, provided competition [illegible] are observed, to [illegible] the [illegible] of the market rather than the flat [illegible] local monopolies, and to have [illegible]ing access to the finite capacity of airports.

Progress has [illegible] slow but [illegible] already forcing [illegible] review their [illegible]. By July next year new capital and technical requirements allowing airlines to operate are due to become EC law, and severely undermine the de facto airline monopolies [illegible] many [illegible].

Scheduled [illegible] would clearly [illegible] be in [illegible] condition [illegible] confront [illegible] market, and there [illegible] concerns now that [illegible] temporary regime approved [illegible] the Gulf [illegible] be extended, while governments [illegible] up financially.

Yesterday, the [illegible] government approved nearly $400m aid for Air [illegible]. On Monday, the Italian [illegible] minister tried, but for the moment failed, to get through [illegible] $300m package for Alitalia; and this week the [illegible] government is expected to approve a $1bn rescue for Sabena.

The danger, as [illegible] Commission official put it, [illegible] of "competition, not [illegible] airlines, [illegible] between taxpayers."

Capital for Air France, P4

Bush unveils plan to lift US energy production

By Peter Riddell, [illegible] Editor, in Washington

PRESIDENT George Bush yesterday announced far-reaching proposals [illegible] increase US domestic energy production, in order to reduce dependence [illegible] imported oil.

Outlining the long-awaited National Energy Strategy, Mr Bush [illegible] aim [illegible] improve production [illegible] encourage conservation, while ensuring continued [illegible] growth. He stressed the reliance on a market-based system [illegible] meet energy demand, and on increasing energy efficiency without imposing new energy taxes.

He added that the US [illegible] determined to minimise its dependence on foreign oil supplies. Before the Gulf [illegible] and the recession, oil imports accounted [illegible] nearly half US [illegible].

The aim of the strategy is to reduce US demand for oil by 3.4m barrels a day by the year 2010, while increasing domestic supplies of oil by 3.8m b/d over the same period.

The strategy chiefly focuses on increasing production, and includes proposals [illegible] oil drilling be allowed in the Arctic National Wildlife Refuge in the state of Alaska, as well as in certain areas on the Outer Continental Shelf.

In addition, the licensing of nuclear power plants is being streamlined, to encourage new development after a long lull. Regulations on natural [illegible] pipeline constructions are also to be simplified.

Mr James Watkins, the energy secretary, said the aim was to address the challenge of supplying necessary energy "without imposing harsh command and control measures, such as [illegible] and restrictive regulations on business and industry, that would [illegible] our standard of living and economic competitiveness".

The plan involves introducing alternative fuels and technology, expanding [illegible] of domestic natural [illegible] and increasing [illegible] efficiency.

The widely leaked proposals have already been strongly [illegible] by environmentalists [illegible] their encouragement of further development, rather than going further down the path of stimulating conservation and energy efficiency.

There is pressure on Congress to do more, especially with regard to increasing the fuel efficiency [illegible] cars and encouraging the use of alternative and [illegible] fuel sources.

Republican as well as Democratic congressmen have called for a greater emphasis on conservation and the revival of proposals such as the introduction [illegible] federal [illegible] standards for lighting.

The plan is the result of lengthy public hearings and has been the subject of a vigorous internal debate within the Bush administration. Some of the president's main economic advisers blocked proposals which would have increased [illegible] industry.

Way paved to single life insurance market

By Andrew Hill in Strasbourg

THE EUROPEAN Commission yesterday paved [illegible] way for life insurers to sell their services [illegible] establish branches in all EC countries, putting in place the last building block [illegible] single market in insurance.

The Commission formally adopted the third directive on life [illegible] which, if approved by EC governments, will come into effect [illegible] 1993.

The directive, will enable insurance groups [illegible] operate freely throughout [illegible] Community according [illegible] their home countries' rules.

It will also allow them to invest their [illegible] anywhere in [illegible] EC.

Announcing adoption [illegible] the directive, Sir Leon Brittan, [illegible] EC commissioner responsible for the sector, [illegible] "This [illegible] once again on the principle of mutual recognition and [illegible] single passport: as [illegible] result, a single European market [illegible] financial services is becoming [illegible] reality."

Draft [illegible] legislation has already prepared [illegible] ground for [illegible] companies to sell services in all member [illegible].

Sir Leon [illegible] would [illegible] for consumers [illegible] "provide [illegible] marvellous launch [illegible] Europe's [illegible] companies [illegible] sell in world markets".

However, it may [illegible] opposi[illegible] from companies in some EC countries, notably Germany, which [illegible] to [illegible] control [illegible] premiums.

Sir Leon [illegible] that greater [illegible] would not mean diminished consumer protection. The directive [illegible] a common [illegible] principles and [illegible] protection regulati[illegible].

Among [illegible] safeguards, policyholders would still [illegible] protected under [illegible] laws [illegible] their country [illegible] residence or nationality.

Member [illegible] would [illegible] prevent the marketing [illegible] policies which [illegible] "against the general [illegible]" as defined by the Court [illegible]. In addition, policyholders would [illegible] day "cooling-off" period after [illegible] was agreed, in which [illegible] change their minds.

The directive will [illegible] EC countries will no longer [illegible] able to force insurers to invest a proportion of their assets in public bonds.

[illegible] will also lay down rules for the calculation [illegible] "technical provisions" which [illegible] hold [illegible] their potential liabilities.

The directive will not [illegible] companies to particular [illegible] and will not oblige them [illegible] primarily within a [illegible].

However, it will include types of assets which can be acquired [illegible] proportion [illegible] the company's total [illegible] which [illegible] can represent.

EC accepts formula

Continued from [illegible] 1

Negotiators do not expect fun[illegible] to be [illegible] several months, possibly not until after [illegible] summer. Much depends on how rapidly the EC can [illegible] on [illegible] internal [illegible] of its Common Agricultural Policy.

Having resolved [illegible] procedural impasse [illegible] agriculture, [illegible] Dunkel immediately called a meeting [illegible] countries principally [illegible] in liberalising [illegible] in textiles and clothing.

This negotiation, which aims at dismantling [illegible] Multi-Fibre Arrangement (MFA) [illegible] bilaterally agreed import quotas, which has governed trade in textile [illegible] more than 30 years, is one of the most sensitive in the round.

Mr Dunkel plans to hold [illegible] in the [illegible] days with negotiators in [illegible] areas on how to [illegible] talks on services, intellectual property, the revision of Gatt rules, and on reductions in tariffs and other import barriers.

Allies intensify ground raids in preparation for full-scale battle

Continued from Page 1

in comments by Mr James Baker, US secretary of state, who insisted yesterday that an end to the Gulf war hinged on full Iraqi compliance with all United [illegible].

"Iraq [illegible] leave Kuwait immediately, totally and unconditionally and Iraq must comply fully with the other applicable Security Council resolutions," he [illegible].

This reinforced the [illegible] view that [illegible] deal [illegible] by Moscow would have to embrace not merely withdrawal but all the UN resolutions including [illegible] dealing with reparations [illegible] Kuwait and securing peace and security in the area.

[illegible] Baker was speaking as the Bush administration remained unusually quiet ahead of Iraq's formal reply to Moscow's peace initiative and amid increasing speculation about an imminent start to a full-scale ground offensive.

Following further discussions with Mr Alexander Bessmertnykh, the [illegible] foreign minister, Mr Baker added: "Now, one way [illegible] another, the Iraqi army of occupation will leave Kuwait soon. And Kuwait will [illegible] soon."

The [illegible] withdrawal proposals remained secret, indicating there was still [illegible] manoeuvre [illegible] though time was running out. Arab diplomats noted the uncompromising [illegible] of recent statements from the Saudi royal family implying the need to see an end to Mr [illegible].

The allies appeared confident that the Iraqi armed [illegible] were already severely weakened despite Baghdad's continued defiance. Since the beginning of this week they have declared their readiness [illegible] launch a lightning invasion.

One US officer said [illegible] Iraqi armoured units had begun [illegible] combine different [illegible]s of Russian-made tanks, [illegible] unusual practice probably forced upon them by the destruction [illegible] numerous tanks in [illegible] air campaign.

"Iraq's military is hurting and hurting very badly," Gen Norman Schwarzkopf, the US commander, said in an interview with the Los Angeles Times. "Our assessment is that they are on the verge of collapse."

He and his colleagues emphasised, however, that the Iraqi army was still [illegible] force to be reckoned with. Yesterday, one American was killed and seven injured when Iraqi artillery hit two Bradley fighting vehicles and a Vulcan mobile anti-aircraft gun in an engagement along the border. The Americans said they destroyed five tanks and [illegible] artillery pieces and captured seven prisoners.

Allied [illegible] attacked a concentration of 300 vehicles at a logistics centre 100km north [illegible] the Saudi border, Brig-Gen Neal said yesterday, destroying 28 tanks, 26 other vehicles and three ammunition dumps.

WORLDWIDE WEATHER

		°C	°F			°C	°F
Ajaccio	Cs	14	57	Berlin	F	[illegible]	41
Algiers	C	13	55	Biarritz	[illegible]	11	52
Amsterdam	F	4	39	Bombay	[illegible]	26	79
Athens	F	15	59	Bordeaux	S	11	52
Bahrain	–	–	–	[illegible]	F	6	43
Bangkok	F	34	[illegible]	[illegible]	Dr	1	34
[illegible]	C	14	57	Budapest	S	1	34
Beirut	–	–	–	Buenos Aires	–	–	–
Belfast	[illegible]	8	46	Cairo	[illegible]	21	70
Belgrade	S	6	43	Cape Town	F	24	75

		°C	°F			°C	°F
Caracas	F	36	97	[illegible]	S	16	61
Casablanca	C	13	55	Florence	[illegible]	13	55
Chicago	S	-2	28	Frankfurt	S	4	39
Cologne	S	8	46	Geneva	Fg	1	34
Copenhagen	C	1	34	Gibraltar	[illegible]	16	61
Corfu	S	16	61	Glasgow	Dr	7	45
Dallas	S	0	32	Helsinki	Sn	-1	30
Dublin	[illegible]	10	50	Hong Kong	–	–	–
Dubrovnik	S	15	59	Innsbruck	S	7	45
Edinburgh	[illegible]	7	45	Inverness	C	5	41

		°C	°F			°C	°F
Islamabad	F	24	75	Madeira	S	17	63
Istanbul	S	9	48	Madrid	S	11	52
Jakarta	R	31	88	Majorca	F	13	55
Jersey	Fg	3	37	Malaga	S	16	61
Johannesburg	S	23	73	Malta	[illegible]	15	59
Lima	F	24	75	Manchester	C	5	41
Lisbon	C	14	57	Manila	C	29	84
London	[illegible]	7	45	[illegible]	C	19	66
Los Angeles	S	12	54	Mexico City	F	25	77
Luxembourg	S	4	39	Miami	C	22	72

		°C	°F			°C	°F
Milan	[illegible]	6	43	Nicosia	F	[illegible]	63
Montreal	[illegible]	3	37	Oporto	S	[illegible]	57
Moscow	F	-8	18	Oslo	C	3	37
Munich	S	4	39	Paris	C	3	37
Nairobi	T	20	68	Peking	C	4	39
Naples	F	15	59	Prague	F	6	43
Nassau	F	26	79	Reykjavik	S	-1	30
New Delhi	S	21	70	Rhodes	S	17	63
New York	C	16	61	Rio de Janeiro	C	28	82
Nice	C	15	59	Rome	F	13	55

		°C	°F			°C	°F
[illegible]	S	[illegible]	43	Tenerife	[illegible]	18	64
[illegible]	S	[illegible]	45	Tokyo	[illegible]	7	45
[illegible]	Sn	2	36	Toronto	C	1	34
Singapore	F	31	88	Tunis	C	16	61
Stockholm	C	2	36	Valencia	R	14	57
Strasbourg	Fg	0	32	Venice	C	6	43
Sydney	C	23	73	Vienna	Fg	0	32
Taipei	[illegible]	12	54	Warsaw	S	2	36
Tangier	S	16	61	Washington	C	18	64
Tel Aviv	–	–	–	Zurich	Fg	-1	30

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail [illegible] [illegible] Sl–Sleet [illegible] T–Thunder

THE LEX COLUMN

Acting coy over base rates

There [illegible] something rather piquant about [illegible] Bank of England yesterday rebuffing pressure for lower interest rates an hour after the UK recession was declared statistically official. It looks as if the government, having been accused of too political an attitude to its ERM obligations in the past, is now bent on proving the opposite. The markets are almost crying out for a further half point cut: Money market rates are below 13 per cent, forward sterling is discounting very nearly 12.5 per cent within a month and the Halifax, Britain's biggest building society, has just cut its first time buyers' rate by 0.75 per cent in what looks like an overt attempt to increase the pressure.

The one apparent snag remains sterling's peseta rate, which is still very close to its floor. But there is a detectable shift in official attitudes here. Sterling is only 1 per cent below the D-Mark central rate while the peseta is 4.5 per cent [illegible]. For both countries, the ERM is now [illegible] constraint in tackling their respective economic problems: [illegible] slump in the UK, continued overheating in Spain. But if it is the peseta which is out of line, it is Spain's job to correct it.

However much the UK government now stresses the idea that its policy is a creature of the market, it must be sorely tempted to act. There is even the political carrot of Abbey National promising yesterday that it too will cut its mortgage rates by 0.75 per cent as soon as base rates fall another half point. With a fair wind, there could be a full point off by the Budget.

Shell

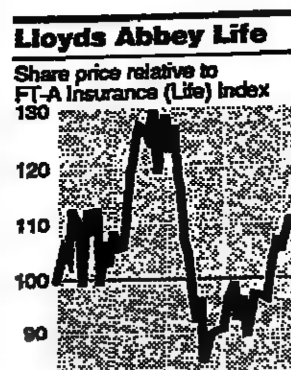
The chemicals cycle aside, Shell had good reason to be pleased with its 1990 figures. The only thing worth a quibble was the 1.5 per cent drop to 12.2 per cent in return on capital, which Shell itself has been pushing as a measure of its performance. The company was also evasive about the probability that its start to 1991 has been hugely profitable. It should finally be benefiting from higher European gas prices, while the [illegible] refining margins [illegible] helped push group [illegible] income up [illegible] per [illegible] in the fourth quarter [illegible] grown even fatter, particularly in the Far East. Despite looming stock losses, the operating numbers are looking good.

The group is now embarking on a five-year capital spending programme which will double its asset base, to be financed largely [illegible] of cash flow. A lesser company would terrify [illegible] if it suggested annual spending [illegible] around $12bn, but [illegible] debt [illegible] equity of just [illegible] per cent. BP, staring at nearer 50 per [illegible], can only look on enviously.

Shell can afford to be less optimistic than BP about the oil price and should also be much better placed to grow its dividend. So the nagging question is why growth in the Royal Dutch dividend should have been held back at 3 per cent when it could easily have been a point higher. In recent years, sterling weakness against the D-mark bloc has nicely inflated the Shell Transport dividend. With the ERM supposedly puncturing that cushion, investors might ask whether Shell Transport is planning to pay UK or European dividends. If the latter, so much the worse for the shares.

Lloyds Abbey Life

Share price relative to FT-A Insurance (Life) Index



Lloyds Abbey

Lloyds Abbey Life's 8 per cent jump in yearly pre-tax profits is impressive. In particular, the contribution from Black Horse Financial Services demonstrates how the group's core strategy of tapping a captive customer base is paying off. The group insists the process has further to go, so Lloyds Bank depositors have been warned.

There are still some things which shareholders have to take on trust. One of these is the set [illegible] assumptions behind [illegible] value profits, though sceptics are perhaps forgetting just how [illegible] margins are when business comes through the branches. Another is the extent to which poor quality earnings elsewhere in the group will eventually distort the steady flow of profits from life assurance. The Lloyds Bowmaker instalment credit business is the fly in the ointment this time; but the provisions look realistic and should ensure that the division rebounds in 1992 at the latest. The estate agency side, which did well to turn in a small profit last year, is also at the bottom of its cycle.

The key to the share price, meanwhile - up another 4p yesterday at 377p - is dividend policy. The problem is the low level of cash earnings, which only just covered the payout for last year. The balance sheet may be strong but the market will have to wait a little longer before dividends and earnings growth go hand in hand.

UK construction

A month ago, many share prices in the UK construction sector seemed simply to be begging for investors' money. If the buyer was looking for issues trading at historically low valuations but highly geared to falling interest rates, a pick-up in the housing market or the rebuilding of Kuwait, then such as Wimpey, Tarmac, Taylor Woodrow, Redland, RMC and Costain cried out for attention. The rally has happened. Wimpey's shares are fetching [illegible] 17 [illegible] likely 1990 earnings, Tarmac's about 16. [illegible] the heavy building materials [illegible] put on a spurt, leaving Blue Circle yielding less than [illegible].

To claim this will [illegible] in tears would be silly. Yesterday's news of a 19 per cent drop in construction orders in [illegible] final quarter was a reminder [illegible] how badly [illegible] industry [illegible] suffering; but the pain was already reflected in [illegible] prices building [illegible] reached in January. The real grounds for caution stem from the fact that questions about individual managements must reassert themselves soon.

The [illegible] stories [illegible] the [illegible] building materials companies [illegible] Redland and RMC, astutely positioned in growing overseas territories. [illegible] Tarmac, [illegible] of fundamentally [illegible] businesses should [illegible] it the base for the strategic reorientation it probably [illegible]. But the two building sectors [illegible] many companies which in the 1980s [illegible] almost all their eggs in just [illegible] baskets: UK housebuilding and commercial property development. These are [illegible] going to [illegible] growth businesses [illegible] the 1990s. Many in the industry must do a great deal of thinking about where else to go.

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1991 Thursday February 21 1991

INSIDE

Yorkshire hit by strength of sterling

Yorkshire Chemicals, the UK-based dyes, tanning materials [redacted] speciality chemicals company which exports more than 90 per [redacted] of its output, suffered from [redacted] strength [redacted] sterling in [redacted] half [redacted] last year. It [redacted] pre-tax profits [redacted] £10.79m ($21m) in the [redacted] December 31, an increase of 12 per cent, while turnover [redacted] 17 per [redacted] higher at £74.93m. Philip Lowe, chairman, [redacted] Yorkshire's search for acquisitions is "[redacted] upon companies [redacted] specialise in leather finishing products, [redacted] chemicals [redacted] pigment dispersions." [redacted] 22

Funds pumped into Soviet oil

The Soviet government is pumping [redacted] investment into the country's ailing oil industry [redacted] year. The [redacted] is aimed at preventing a further collapse of production. At [redacted] time, special regulations have been approved allowing the [redacted] workers [redacted] Western Siberia, the country's biggest oil field, [redacted] keep extra hard currency earnings from oil exports in [redacted] effort to improve their living conditions. Page 24

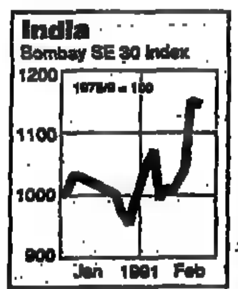
Technophone scales up

Last week's [redacted] by Nils Martensson (left) of Technophone, [redacted] hand-held cellular phone [redacted] pany [redacted] 1984, [redacted] Nokia, the Finnish electronics manufacturer, [redacted] motivated by [redacted] generate efficiencies of scale. [redacted] face of tumbling [redacted] prices and soaring [redacted] costs, [redacted] Technophone — which employs 750 worldwide [redacted] manufacturing [redacted] in Camberley [redacted] Hong Kong — [redacted] likely [redacted] steep rise in output this year. David Owen reports. Page [redacted]

Caution takes over among Japanese regional banks

Oita Bank had [redacted] plans. Based in [redacted] Japanese city [redacted] it was [redacted] New York [redacted] Hong Kong as [redacted] foreign office, and had [redacted] newly aggres-[redacted] in lending [redacted] Japanese companies [redacted] from its hometown. But, [redacted] Japanese regional banks, its ambitions [redacted] being replaced by more modest goals. It [redacted] deferred a decision on foreign expansion and [redacted] even [redacted] more cautious [redacted] lending [redacted] Japanese companies. Robert [redacted] on [redacted] facing the regional banks of Japan. [redacted] 18

Gandhi buoys Bombay market



Signs that Rajiv Gandhi [redacted] Congress party might be staging [redacted] political [redacted] helped lift [redacted] Bombay [redacted] Exchange [redacted] index [redacted] lier [redacted] Another factor in the current market rally [redacted] strong buying [redacted] shares. [redacted] building materials companies [redacted] thought likely [redacted] benefit from [redacted] upsurge in demand for reconstruction projects after the [redacted] of [redacted] Gulf war. R.C. Murthy reports. [redacted] 36

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Colonia Vers Pf	675	+	33
Hapag Lloyd	350	+	8
Lahmeyer	1035	+	55
Falls			
BMW (Br)	469.5	−	10.2
Karstadt	581	−	10.5
Viag	351.5	−	12.3
NEW YORK ($)			
Rises			
Cytogen	14⅛	+	1⅝
Hewlett-Packard	46½	+	1⅛
Zeos Int	23	+	½
Falls			
Limited	23⅜	−	¾
Glaxo ADRs	36½	−	1¾
System Software	22¼	−	[redacted]

PARIS (FFr)			
Rises			
La Henin	518	+	8
Perrier	1428	+	24
Falls			
Air Liquide	[redacted]	−	13
Bancaire Cie	535	−	15
Essilor Int	[redacted]	−	16.5
Matra	256	−	6.5
TOKYO (Yen)			
Rises			
Ishii Iron Wks	1220	+	200
Nikkiso	1380	+	200
Nippon Kinzoku	810	+	100
Falls			
Harima Chem	[redacted]	−	100
Nippon Felt	2330	−	220
Oki [redacted]	995	−	85

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
Aegis	[redacted]	+	7
Business Tech	[redacted]	+	17
Colefax & Fwlr	88	+	9
Douglas (RM)	[redacted]	+	25
Egerton Tst	12½	+	3
INVESCO MIM	83	+	5
Johnson Clnrs	420	+	[redacted]
Prov Financial	449	+	24
Triton Europe	[redacted]	+	14
Falls			
Com Hospitals	[redacted]	−	10
[redacted]	[redacted]	−	32
Grand Met	714	−	18
Hepworth	30[redacted]	−	12
Holmes Marcht	55	−	5
Kwik Save	[redacted]	−	16
[redacted]	[redacted]	−	8
Reed Intl	390	−	12
Steetley	392	−	21
Tsthse Forte	246	−	10

Square D shares [redacted] on $1.8bn [redacted]

By Martin Dickson in New York and George Graham in Paris

SHARES in Square D, [redacted] manufacturer [redacted] electrical products, soared yesterday following [redacted] $1.8bn bid for [redacted] from Schneider, the French electrical equipment [redacted].

Square D revealed on Tuesday night it [redacted] received [redacted] $78-a-share bid proposal, but its initial response [redacted] far from enthusiastic.

Mr Jerre Stead, chairman, [redacted] would review the proposal "in due course" but believed [redacted] it [redacted] in the [redacted] of [redacted] company [redacted] shareholders to "continue [redacted] as [redacted] independent [redacted] pany and pursue [redacted] long-term strategic plan".

Square D's stock [redacted] up at [redacted] opening [redacted] the New York Stock Exchange and by lunchtime was trading at $72⅝, up $21⅛ from the overnight level, on volume of over 2m shares.

The company has been a rumoured [redacted] target [redacted] last autumn, and [redacted] months [redacted] unusually heavy trading [redacted] have left many [redacted] its [redacted] in the hands [redacted] Street arbitrageurs, who speci-[redacted] in bid stocks, [redacted] than long-term [redacted].

[redacted] takeover [redacted] represent [redacted] significant expansion by Schneider into [redacted] US market, and [redacted] bid [redacted] the past year – a [redacted] of French acquisitions of large American targets.

Mr Didier Pineau-Valenci-[redacted] of Schneider, [redacted] he had been discussing [redacted] link-up with Square D for [redacted] and had made [redacted] presentation [redacted] the company's board in September.

Square D, [redacted] in Palatine, Illinois, [redacted] have [redacted] a fifth of the [redacted] for electrical distribution equipment, [redacted] strong presence in [redacted] controls. [redacted] earnings last year were $120.7m, or [redacted] a share, [redacted] of $1.65bn.

The company was viewed [redacted] much of the 1980s as a large but conservative manufacturer of circuit-breakers, with a lacklustre profits record, but [redacted] last years it had undergone [redacted] shake-up aimed [redacted] raising its profile in the market for sophisticated electronic [redacted] for factories, [redacted] building a stronger international presence.

[redacted] French [redacted] present in many of the same [redacted] Square [redacted] through [redacted] Gérin, [redacted] main electrical distribution subsidiary, and through Télémécanique, its industrial [redacted] tion offshoot.

[redacted] bid proposal [redacted] subject [redacted] approval [redacted] Square D's board. But the French company, which [redacted] of hostile bids, is thought likely [redacted] launch [redacted] tender offer even if [redacted] overtures [redacted] rejected.

Schneider [redacted] the offer valued Square D at 10.6 times [redacted] earnings before tax and financial expenses, and [redacted] 17.1 times its fully diluted earnings. [redacted] was 55 per cent higher than [redacted] closing price [redacted] Square D [redacted].

"We think it would give stockholders an immediate dividend which they might not be sure of in [redacted] future, given that their [redacted] is not spending enough on [redacted] is not international enough," Mr Pineau-Valen-[redacted] said.

[redacted] huts up the pace, Page 16; Markets, Page [redacted]

Royal Dutch drops to £3bn

By Deborah Hargreaves in London

WORLD OIL prices [redacted] fall when [redacted] Gulf [redacted] over, but [redacted] in [redacted] months, Sir Peter Holmes, chairman [redacted] Royal Dutch/Shell, the Anglo-Dutch oil group, said yesterday.

The lower prices fall initially, [redacted] quicker producers in [redacted] Organisation [redacted] Petroleum Exporting Countries will get [redacted] firm the market, [redacted] said, and they [redacted] prices in [redacted] barrel range.

Shell yesterday reported [redacted] jump of [redacted] per [redacted] in [redacted] income for [redacted] final quarter of [redacted] ($1.87bn) from [redacted] in the [redacted] period, on [redacted] current cost [redacted] which eliminates stock gains [redacted].

But higher [redacted] prices [redacted] an improvement in [redacted] refining [redacted] enough [redacted] offset [redacted] poor performance by [redacted] chemicals division, higher tax charges [redacted] currency [redacted].

The company [redacted] a drop of 16 [redacted] in [redacted] earnings for the full [redacted] from £3.58bn in [redacted].

Sir [redacted] the current oil price [redacted] just [redacted] a [redacted] probably contains a war premium [redacted] around [redacted] barrel for the slight risk [redacted] export terminal [redacted] Ras Tannurah might [redacted] hit.

Shell's exploration and production division [redacted] its slice of profits rise by 49 per cent last year on a current cost basis to £1.8bn, largely due to the increase in oil prices in the second half of the year. Crude oil output was [redacted] per cent lower than in [redacted] at 1.9m barrels a [redacted] (b/d).

The company said [redacted] had lost 70,000 to 100,000 b/d output from the Brent field in the North Sea last year as it shut down facilities for maintenance, but that this production should be restored to previous levels in the current [redacted].

Shell saw an improvement in its refining operations especially in the Far East [redacted] demand [redacted] strong. [redacted] income was up 22 per cent last year to £1.74bn.

Sir Peter said there would continue to be [redacted] in the refining system east [redacted] Suez after [redacted] recovery in demand over the past three years. The loss of Kuwait's oil refineries could lead to a marginal shortage of products when the war is over.

Despite [redacted] news that the dividend will be increased over 9 per cent to 20.1p for the year, the shares drifted down 4p to 464p.

Lex, Page 14

German spotlight falls on Osram of the UK

Michael Skapinker on Siemens' plans for the British lighting business it recently re-acquired

A[redacted] first World War, the UK government expropriated [redacted] British interests of Siemens [redacted]. The [redacted] group's Osram lighting brand [redacted] acquired by [redacted] General Electric Company of the UK, which renamed [redacted] Osram-GEC.

In [redacted] past [redacted] years, Siemens, [redacted] still owns [redacted] in [redacted] of the world, [redacted] buying the [redacted] back.

Yesterday, [redacted] wrapped [redacted] process up, announcing that the Osram light fittings factory in Birmingham would be integrated into its [redacted] fittings [redacted] ness. The UK plant will be electronically linked to Siemens' German factory to facilitate computer-aided design [redacted] manufacturing.

The fittings business, with 300 employees [redacted] a turnover [redacted] will operate separately [redacted] UK light bulb [redacted] manufacturing [redacted] which has 1,500 staff and sales of £75m.

Mr Eckart [redacted] based general manager of [redacted] mens' lighting systems division, says he [redacted] to spend [redacted] modernising [redacted] Birmingham plant [redacted] the next three years. He [redacted] that [redacted] not [redacted] happiest [redacted] for UK-based companies, but [redacted] that his long-term aim is to expand the [redacted].

Siemens [redacted] had [redacted] familiar with [redacted] business in Britain. In [redacted] the [redacted] group acquired a [redacted] per [redacted] interest in Osram-GEC, with an option to buy the remaining share. [redacted] purchased [redacted] outstanding 51 per cent [redacted] in January [redacted] and [redacted] Siemens [redacted] technological [redacted] in [redacted] partnership with GEC, [redacted] on [redacted] product development and upgrading [redacted] UK manufacturing facili-[redacted].

During the period of joint ownership, GEC [redacted] Siemens [redacted] in [redacted] Birmingham fittings factory and at the light making plants in Wembley, north London [redacted] Shaw, [redacted] Oldham.

[redacted] managers are polite about [redacted] Osram [redacted] they found in the UK. [redacted] financial

Productivity at Osram-GEC was up to 20 per cent lower than at [redacted] in Germany

[redacted] strong, [redacted] was [redacted] be [redacted] in [redacted] GEC company. But [redacted] were [redacted] between the British [redacted] and [redacted] subsidiaries [redacted] in the [redacted].

"People from GEC's head office very seldom visited Osram-GEC," says Mr [redacted] Mills, managing director [redacted] Osram in the UK. "[redacted] unusual week when I did not have [redacted] German visitor."

Mr Mills is [redacted] hand [redacted] will not [redacted] a word spoken [redacted] his old [redacted]. Nevertheless, [redacted] that productivity [redacted] Osram-GEC was up to 20 per [redacted] than [redacted] in Ger-[redacted]. Since [redacted] acquired [redacted] stake, [redacted] in the UK has had "[redacted] production techniques, [redacted] on productivity [redacted] part of [redacted] business, [redacted] machinery." Under GEC, he [redacted] far [redacted] product development than at [redacted] in Germany.

Mr Mills will continue to [redacted] making activities [redacted] UK, but not its fittings [redacted]. The fittings business will [redacted] instead by German [redacted]. The [redacted] director will be Mr Norbert [redacted] who [redacted] been in charge [redacted] tings in the UK since October last year, and [redacted] finance director will be Mr Maic Köttschau, previously with [redacted] South Africa.

"I don't [redacted] people available here in the UK for these positions," says Mr Goetz Steinhardt, finance director [redacted] mens in the [redacted]. "I needed [redacted] set this up very quickly and I needed people who knew the business. But they have three-year assignments and during this time we will bring local people up to speed."

The [redacted] to split the manufacture of lights [redacted] of [redacted] might seem an odd one. Lighting companies today speak of the importance of offering customers "lighting [redacted]" which take account [redacted] of their offices or factories. Would it [redacted] be better for Siemens to offer its UK [redacted] the complete service – fittings and lamps (bulbs and tubes) – [redacted] than expect-[redacted] companies [redacted] buy them [redacted] rately?

"Lamps and fittings have always [redacted] split in Siemens," [redacted] Mr [redacted]. "The techniques for manufacturing lamps and their [redacted] have always [redacted] very [redacted] the manufac-[redacted] and marketing [redacted] fit-[redacted]. Lamps are more of [redacted] commodity than light fittings. In the fittings business you give [redacted] advice and come up [redacted] a system [redacted] them. Around [redacted] cent [redacted] fittings in Germany are made to [redacted] for the [redacted]. The majority [redacted] fit-[redacted] without lamps."

Siemens, [redacted] was responsi-[redacted] for the lighting of both [redacted] Lloyd's building and the restored Billingsgate market in London, [redacted] use [redacted] company to increase its 5 per cent share of the UK [redacted] European light fittings [redacted] is worth about £3bn a year.

Germany, [redacted] largest market, [redacted] about 28 [redacted] that, with the UK in second place with 20 per cent, well ahead of France with 14 per cent. [redacted] believes [redacted] the [redacted] market leaders [redacted] UK, Thorn Lighting [redacted] Philips, [redacted] 30 per cent and 10 per cent of the British fittings [redacted] respectively.

Lit up [redacted] the Lloyd's building in London

Rhône-Poulenc profits fall by two thirds to FFr1.1bn

By George Graham in Paris

[redacted] plunged by [redacted] thirds last [redacted] Rhône-Poulenc, [redacted] leading French state-owned [redacted] group. [redacted] declining dollar reduced the company's earnings from North American subsidiaries and brought [redacted] competition [redacted] pro-[redacted].

Rhône said [redacted] attributable profits dropped 64 per [redacted] FFr1.1bn ($216m), despite FFr1.8bn [redacted] extraordinary profits from [redacted] of subsidiaries, financial [redacted] and buildings [redacted] FFr5.2bn.

Eight months [redacted] earnings from Rorer, the US pharmaceuticals company acquired by Rh[redacted] last year, [redacted] included in [redacted] results. [redacted] operating profits fell 23 per cent to FFr5.69bn.

But Mr Jean-René Fourtou, Rhône's chairman, said the group's focus on health and agricultural chemicals, which are relatively immune to the recession hitting most chemicals companies and which will account for over 60 per cent of operating profits this year, would enable it to increase its operating margin [redacted] 20 per cent in 1991 and by at least as much in 1992 and 1993.

He said the return from Rorer would already more than cover its considerable financing cost this year.

Rhône plans to cut the dividend on both its ordinary shares and its preferred non-voting stock by FFr7 to FFr20.15 and [redacted] respectively.

Mr [redacted] Tirouflet, group finance [redacted], said the swing into [redacted] Rhône's Brazilian subsidiary [redacted] brought [redacted] FFr880m deterioration in 1990 operating profits, while the effect [redacted] the [redacted] dollar accounted for a further FFr750m decline.

Group [redacted] volumes fell by [redacted] per cent during [redacted] and prices [redacted] by [redacted] 1 per [redacted] in difficult market [redacted].

[redacted] a result [redacted] integration [redacted] the first time [redacted] and [redacted] number [redacted] acquisitions, however, the [redacted] of [redacted] rose [redacted] 8 per [redacted] to FFr78.8bn.

[redacted] financing [redacted] by [redacted] thirds [redacted] FFr3.5bn, while pay-outs [redacted] the [redacted] hybrid debt-equity instruments that [redacted] in [redacted] to finance its acquisition programme fell 21 per [redacted] to FFr845m.

Nordbanken withholds dividend [redacted] pre-tax result dives to SKr1m

By John Burton in Stockholm

NORDBANKEN, Sweden's second largest commercial bank group, yesterday [redacted] a pre-tax profit of SKr1m ($180,000) [redacted] 1990, a sharp fall from earnings [redacted] SKr3.2bn in the previous 12 months. The company [redacted] withheld [redacted] dividend, [redacted] paying SKr3 last year.

Profitability, after a nominal 30 per [redacted] tax payment, shrunk from 17.3 to [redacted] per cent, far below that of its main rivals, Svenska Handelsbanken with 22.2 per cent and Skandinaviska Enskilda Banken (S-E-Banken) with 11.8 [redacted] cent.

The [redacted] were blamed on credit [redacted] and provisions [redacted] SKr4.2bn, a five-fold increase since 1989.

State-controlled Nordbanken suffered [redacted] worst among the big Swedish banks from the [redacted] collapse [redacted] finance and property companies. These accounted [redacted] half of its credit losses. Operating profit was SKr855m, down 74 per cent. The profit, however, virtually disappeared after the inclusion [redacted] extraordinary costs, among them [redacted] SKr865m reservation for the liquidation of ALI Finance, a London-based transport leasing company affiliated with [redacted] bank.

[redacted] accumulating credit losses forced the government, which owns [redacted] per [redacted] of the capital, [redacted] dismiss Mr Rune Barneus, Nordbanken president, and other senior [redacted] including chairman, Mr Tony Hagstrom, and [redacted] board members [redacted] Christmas.

The [redacted] result [redacted] the credit [redacted] climbed [redacted] cent [redacted] SKr5.9bn. Adjusted income rose 18 per cent [redacted] SKr11.8bn, while costs, excluding credit [redacted] 17 per [redacted] to SKr6.7bn. Total assets amounted [redacted] SKr411bn.

Skandinaviska Enskilda Banken, [redacted] largest commercial bank group, announced on [redacted] day that its pre-tax profit fell 36 per cent to SKr2.92bn. The fall was attributed [redacted] mounting credit losses [redacted] SKr1.4bn.

Third-ranking [redacted] Handelsbanken, however, was able to limit loan [redacted] SKr623m [redacted] reported a 17 per cent rise [redacted] operating profit [redacted] SKr4.5bn.

Polly Peck tropical fruit unit interests Geest

By Clay Harris in London and Nikki Tait in New York

GEEST, the fresh produce group which imports 60 per cent of the bananas [redacted] in the UK, said yesterday it would be interested in buying Del Monte Tropical Fruit if Polly Peck International's administrators put [redacted] for sale.

Mr David Sugden, chief executive, emphasised Geest [redacted] buy all of Del Monte. [redacted] ruled out a deal with Chiquita Brands [redacted] would give the [redacted] banana group control of Del [redacted] Latin American plantations.

On Tuesday, Chiquita [redacted] reported [redacted] told US [redacted]lysts that it had offered between [redacted] and [redacted] for Del [redacted] plantations and Asian [redacted] suggested [redacted] an unnamed partner might [redacted] buy the European and North American distribution arms.

Polly Peck's administrators, meanwhile, stuck to their firm denials that Del Monte is for sale. It is [redacted] linchpin of their hopes of resuscitating the wider group which collapsed last year.

Geest wants Del Monte's Latin American [redacted] to diversify its sourcing from Dominica, St Lucia, [redacted] and [redacted] Vincent. The high-cost Caribbean bananas lose their protected [redacted] when European Community markets are opened after 1992.

Mr Sugden's remarks harden previous statements which [redacted] only that [redacted] "would have to [redacted] Del Monte.

Polly Peck bought the Del Monte [redacted] and [redacted] pineapple business in 1989 for [redacted]. Although Geest is valued [redacted] £201m ($391.9m) Mr Sugden said it would have no difficulty in financing [redacted] takeover.

He noted that Del Monte had sold nine ships for £142m since the Polly Peck acquisition. Albert Fisher Group, the UK fresh produce company, has also expressed interest in Del Monte.

Yesterday in Florida, Del Monte claimed it had been "inundated by [redacted] and [redacted] asking what is happening" after Chiquita's briefing on Tuesday. [redacted] the [redacted] of [redacted] widely publicised retraction by [redacted] rival, Del Monte reaffirmed plans for legal action.

Chiquita [redacted] still unavail[redacted] for comment yesterday.

Skopbank posts 17.7% decline

SKOPBANK, a commercial and central bank for Finland's 150 savings banks, [redacted] that [redacted]solidated profit [redacted] appropriations, [redacted] minority [redacted] in 1990 by 17.7 per [redacted] to [redacted] ($84.6m), against FM370.8m [redacted] previous year.

Skopbank, [redacted] profitability has been undermined by plunging share prices and high Helsinki interbank offered [redacted] (Helibor), registered [redacted] operating loss of FM339.3m last year compared with a profit of [redacted] The [redacted] pre-tax profit result [redacted] by [redacted] in extraordinary items, which [redacted] mainly [redacted] to [redacted]

Consolidated income [redacted] operations [redacted] by 14.4 per [redacted] FM645.2m. [redacted] write-offs dropped [redacted] FM148.5m from [redacted] in [redacted] reached [redacted]

Of all the Finnish banks, Skopbank has been one of the hardest hit by tumbling [redacted] prices and deregulation. The bank was heavily involved in [redacted] banking during [redacted]

Earnings per [redacted] also plummeted [redacted] of [redacted] from [redacted] profit of FM1.92. Return on equity also fell to [redacted] loss of [redacted] per [redacted] profit [redacted] The board will [redacted] propose [redacted] dividend for [redacted]

Jyske Bank in DKr202m loss

[redacted] Bank, Denmark's third largest commercial bank, suffered [redacted] losses [redacted] DKr202m (US$35m) compared with net profits [redacted] DKr14m last year. Losses and [redacted] provisions for 1990 rose [redacted] DKr898m, which is more [redacted] twice [redacted] figure [redacted] the previous year, writes Xueling Lin in Copenhagen.

The Jutland-based bank [redacted] hit, [redacted] other major Danish banks, by the surprise collapse last autumn of [redacted] Northern Feather Group, the largest bedding, home furnishings and textile [redacted] in Denmark. Losses [redacted] Northern Feather alone accounted for DKr100m.

Trygg-Hansa Liv dips 32% [redacted] premium income slides

TRYGG-HANSA LIV, [redacted] biggest [redacted] insurance [redacted]pany, yesterday reported [redacted] operating profit [redacted] by [redacted] per [redacted] SKr2.38bn ($427m) for 1990, while premium income declined by 5 per cent to SKr6.8bn, writes John Burton.

Trygg-Hansa, which recently merged [redacted] pension insurance fund SPP, [redacted] the downturn in premium income [redacted] been expected [redacted] of single-premium capital insurance con[redacted] had been abnormally high in 1989 due to [redacted] tax [redacted] then prevailing.

However, Trygg-Hansa [redacted] had outperformed the industry [redacted] with [redacted] combined premium income [redacted] all Swedish life [redacted] companies decreasing by 15 per [redacted] in 1990.

This [redacted] because it had signed [redacted] single-premium policies than [redacted] competitors. [redacted] by the falling value of [redacted] other financial investments. Adjusted income from [redacted] capital markets fell [redacted] 12 per [redacted] to SKr3.5bn, while the [redacted] its investment assets declined by [redacted] per cent [redacted] SKr59bn.

Underlying tone firm [redacted] Time Warner

By Karen Zagor in New York

TIME WARNER, the world's biggest media and entertainment [redacted], posted strong underlying fourth-quarter results. However, [redacted] related to the merger of Time Life and Warner Communications pushed the company into the red.

The net loss for the three months to December 31 [redacted] $34m, [redacted] a share, against $175m, or $5.52, on [redacted] pro forma [redacted] in 1989. Revenues in the quarter rose [redacted] from $3.09bn.

The company's film, *recorded music, cable television*, publishing and [redacted] were profitable in the quarter, generating operating income [redacted] $354m, compared with $126m [redacted] lier on [redacted] pro forma basis.

But [redacted] group has huge [redacted] on [redacted] of debt, and has been charging off related interest expenses [redacted] amortisation [redacted] each quarter as a result.

Earnings before interest, tax, depreciation and amorti[redacted] *(EBITDA)* were $634m [redacted] *quarter* against $574m a year earlier, excluding a loss [redacted] $162m from Scott, Foresman, which was sold [redacted]

Wall Street [redacted] favourably [redacted] results, and [redacted] in Time Warner added [redacted] $110¾ [redacted] mid-session in a [redacted] market. The [redacted] traded at $71¾ after the company [redacted] its third-quarter results in October.

Mr Steven Ross, chairman, [redacted] *the results were* [redacted] given [redacted] economy. He added [redacted] 1990 was the best year ever for four of Time Warner's businesses – filmed entertainment, recorded music, cable and Home Box Office. "We look forward to continuing growth in 1991."

Although EBITDA at Time Warner's magazine division fell [redacted] $280m in [redacted] from $318m, the company attributed it to the start-up costs of Entertainment Weekly.

For the whole [redacted] 1990, the company recorded a net loss of [redacted] or [redacted] on a pro forma [redacted]

Schneider hots up the pace in international line-up

MR Didier Pineau-Valenciennes, chairman of Schneider, the French electrical engineering and construction group, has spent the past two-and-a-half [redacted] eyeing the US; and for much of this time he has been in discussions with Square D, the leading US electrical distribution manufacturer.

The talks have been friendly but fruitless, so Mr Pineau-Valenciennes has [redacted] to take matters into [redacted] own [redacted] with a $1.8bn cash bid.

"Square D's board has appeared [redacted] share [redacted] views on the development of the market, but [redacted] time the stumbling block was that they [redacted] to remain independent – and we [redacted] the [redacted] answer [redacted] on *Tuesday," Mr Pineau-Valenciennes* [redacted] yesterday.

Schneider's decision [redacted] launch the $78-a-share [redacted] was triggered by [redacted] the [redacted] in the electrical equipment market, which [redacted] greatly increased competition and which Mr [redacted]ennes expects to accelerate the process of restructuring in the industry, and [redacted] speculation surrounding Square D's shares, which have [redacted] heavily traded in recent [redacted]

"The faithful stockholders [redacted] pension [redacted] mostly [redacted] shares, [redacted] the [redacted] now in the [redacted] the arbitrageurs. Anyone [redacted] along, so I preferred [redacted] friendly proposal before something happened [redacted] we could [redacted] control," [redacted] said.

The longer-term [redacted] for the bid, however, remain the same that he [redacted] explaining both [redacted] Square D's board and [redacted] *financial analysts* for the [redacted]

Mr Pineau-Valenciennes used to be known in France as "Doctor Attila" for his slash and burn [redacted] in overhauling the limping Empain-[redacted] empire in [redacted] early 1980s. [redacted] has [redacted] a group centred on [redacted] main subsidiaries: Merlin Gérin in electrical distribution equipment, Télémécanique [redacted] industrial automation components, Jeumont Schneider in electrical generation and power drive equipment, and Spie Batignolles in contracting and civil engineering.

"We really think there [redacted] internationalisation [redacted] our businesses. The globalisation which started about five years ago is [redacted] accelerating fast," he [redacted]

This analysis appears [redacted] be borne out by [redacted] arrival in force of Emerson, [redacted] US electricals group, to compete with Merlin Gérin in some of the European markets it has domi[redacted] until now.

Mr Pineau-Valenciennes [redacted], however, [redacted] now *just* [redacted] *companies* [redacted] becoming international: products, too, [redacted] now being [redacted]oped for worldwide sale, [redacted] entails [redacted] much greater [redacted] for investment in [redacted] compares Square D's $50m [redacted] expenditure, around 3 [redacted] sales, unfavourably [redacted] per [redacted] devotes [redacted]

"We [redacted] bring [redacted] the [redacted] products they need," [redacted]

[redacted] however, a reversal [redacted] in [redacted] equipment industry for manufacturing [redacted] to [redacted]

"[redacted] no longer [redacted] answer; [redacted] concentration [redacted] production, with [redacted] costs," Mr Pineau-Valenciennes explains.

> George Graham looks at the attempts by the French group to find [redacted] way into the US electrical equipment market

A successful bid would create a group twice as large [redacted] its nearest competitor in the world market for electrical distribution equipment, Schneider argues.

It already controls Federal Pioneer, [redacted] market leader in [redacted] with [redacted] of [redacted] 30 per cent, acquired [redacted] for [redacted] well [redacted] Merlin [redacted] in Europe: its weakness in the US would be immediately remedied by Square D's US market share of around 20 per [redacted]

[redacted] Schneider bid is conditional on receiving the approval of Square D's board, and Mr Pineau-Valenciennes says he has thrown in [redacted] number of "personal sweeteners" to demonstrate the [redacted] he has in the current management, including a seat on [redacted] Schneider [redacted] Mr Jerre [redacted], Square [redacted] chairman.

Mr Pineau-Valenciennes is not, however, entirely unused [redacted] hard-fought takeover battles. In [redacted] embarked on [redacted] bid for Télémécanique, France's leading industrial automation company, [redacted] turned into [redacted] bitter [redacted] fiercely-contested [redacted] stock market [redacted]

The story of the proud and *independently* minded Télémécanique, now happily integrated into [redacted], certainly proved [redacted] "Doctor Attila" is capable [redacted] the [redacted] subsidiaries [redacted] maintain [redacted] autonomy.

Some [redacted] analysts point out, however, [redacted] also shows that Schneider may [redacted] exaggerated [redacted] *drawn from the* [redacted] synergies [redacted] Télémécanique and Merlin [redacted] have been much slower [redacted] been hoped.

"Still, with [redacted] dollar [redacted] FFr5, [redacted] now [redacted] never," [redacted] Mr Christian Cherblanc, analyst [redacted] Paris brokers Cholet Dupont.

BfG sees better 1991 after big shake-up

By Katharine Campbell in Frankfurt

BfG, the struggling, former trade union bank, will show a "clear operating [redacted] in 1990, but expects an improvement in 1991 as a result of its sweeping restructuring programme.

Mr Paul Wieandt, who joined [redacted] chief executive a year ago, was at pains yesterday to inject a note of optimism despite 1990's bleak figures, detailed sweeping staff cuts under way, a new managing board, and branch closures, marking [redacted] start of a three-year programme costing DM100m ($67m) in 1990.

BfG's problems, stemming largely from a combination of rampant costs and a shaky loan book, have weighed heavily on its [redacted] shareholders, Aachener [redacted] Münchener, the big insurance [redacted] and BGAG, the [redacted] union holding company.

Only in December, [redacted] two parties [redacted] on for an [redacted] cash injection, which Mr [redacted] yesterday confirmed was to cover write-downs of [redacted] same sum [redacted] loans [redacted] Europe.

Moreover, write-downs on the securities portfolio amounted [redacted] investments in [redacted] technology cost DM25m, and credit business showed [redacted] pronounced drop during [redacted] chaos [redacted] reorganisation.

By [redacted] end of [redacted] year, BfG had [redacted] 765 staff, with a further 335 [redacted] go by the beginning [redacted] April. The bank is under[redacted] aiming [redacted] shedding around one-third [redacted] its workforce, [redacted] of 2,700 people.

Mr [redacted] overall personnel [redacted] would [redacted] lower in 1991, despite payouts relating [redacted] reductions.

[redacted] helped the position by selling [redacted] partially-completed headquarters [redacted] year, to [redacted] investor [redacted] includes Deutsche Bank, for a rumoured DM1.2bn.

While [redacted] had agreed a further DM500m capital increase from its [redacted] for early [redacted] October, Mr Wieandt cast [redacted] on [redacted] that [redacted] whilst firmly denying [redacted] connection with the [redacted] cash injection.

Lloyds Abbey Life advances 8.2%

By Eric Short in London

LLOYDS Abbey Life, the [redacted] assurance [redacted] service arm of Lloyds [redacted], [redacted]terday reported pre-tax profits of £318.9m [redacted] 1990. [redacted] result, which [redacted] 8.2 per cent higher than in [redacted], exceeded even the most optimistic analysts' [redacted]

[redacted] profits were up 6.2 [redacted] cent [redacted] the previous [redacted] to £210.1m, while earnings per share came out at 30.9p, [redacted] 29.8p.

However, [redacted] dividend remains at 17p, the rate paid when [redacted] created in [redacted] Lloyds Bank bought control of Abbey Life.

Mr [redacted] Hepher, chairman, [redacted] would probably remain unchanged until pre-tax profits stabilised [redacted]

The group's [redacted] showed almost [redacted] per cent overall pre-tax profit increase from [redacted] £264.8m.

This growth, however, came from [redacted] success [redacted] orientated insurance operations: the in-house life and [redacted] services [redacted]tion, [redacted] Financial Services, and the [redacted] brokerage arm, Lloyds Bank [redacted]

In a [redacted] life assurance sales were generally dull, Black [redacted] Financial Services recorded [redacted] one-third increase in regular premium [redacted] and [redacted] 50 per cent rise in single premium business.

With most [redacted] this [redacted] coming directly from bank [redacted] company's strategy [redacted] concentrating its business outlets through "warm leads" [redacted] base [redacted] working.

Using [redacted] new style "embedded value" to [redacted] life [redacted] profits, Black Horse [redacted] a 60 per cent rise to £67m.

Similarly, sales [redacted] general insurance products and the provision of independent insurance advice to bank customers enabled Lloyds Bank Insurance [redacted] to record almost a 40 [redacted] profit rise [redacted]

In contrast, Abbey Life, [redacted] through "cold calling," [redacted] dull [redacted] business figures [redacted] year. [redacted] value profits [redacted] only 4.8 per cent higher [redacted] £142.3m.

[redacted] from European business fell by a quarter to [redacted]

The [redacted] operation, [redacted] Agencies, showed a profit [redacted] £12.7m against [redacted] of [redacted] year.

Lex, Page 14

Cut in output by Hoogovens hits share price

HOOGOVENS, the [redacted] and aluminium [redacted] it planned [redacted] cut [redacted] production by up to 15 per cent over the [redacted] months in [redacted] a decline in [redacted] by the Gulf [redacted] and [redacted] general climate [redacted] economic uncertainty, [redacted] Ronald van [redacted] Krol in Amsterdam.

The company's shares fell sharply on [redacted] news, tumbling by [redacted] per [redacted] close [redacted] Fl [redacted] ($27.15).

The production cutbacks, expected [redacted] range from 10 per [redacted] to 15 [redacted] normal output, will mainly affect Hoo[redacted] hot strip mill and one [redacted] its two cold strip mills.

The company said it [redacted] also studying additional short-term [redacted] an [redacted] its [redacted]ting programme and [redacted] introduction of shorter working [redacted] employees.

Cepsa flat with pre-tax profits of Pta12.3bn

By Peter [redacted] in [redacted]

CEPSA, [redacted] biggest private sector oil refiner in Spain, [redacted] reported barely unchanged pre-[redacted] profits for 1990, up just 1.6 [redacted] Pta12.3bn ($132.4m). Turnover had risen 10 [redacted]

Cepsa is [redacted] by [redacted] Central, [redacted] Spain's leading commercial banks, which directly [redacted] indirectly [redacted] more than 30 per [redacted] of the company. Elf Aquitaine of [redacted] recently bought [redacted] 25 per [redacted] in the company and IPIC, [redacted] Abu Dhabi [redacted] owned refiner, [redacted] Cepsa imports some 25 per [redacted] of [redacted] oil from Abu Dhabi.

Cepsa said the results were "very positive" in [redacted] light of [redacted] in the Gulf. With falling oil prices, analysts expect Cepsa to considerably improve its margins. In the first half [redacted] last year, sales fell 9 per cent as oil prices [redacted] but [redacted] margin [redacted] by 6 [redacted]

The [redacted] had [redacted] expecting Cepsa to do [redacted] than repeat [redacted] results. Along with [redacted] Spanish refiners, [redacted] group has [redacted] investing heavily to [redacted] itself [redacted] complete liberalisation of [redacted] Spanish fuel and lubricants market [redacted] year.

Cepsa is likely [redacted] reap substantial [redacted] from a coming break-up [redacted] the state-controlled petrol distribution monopoly, Campsa, in which all refiners, including the state-owned giant, Repsol, [redacted]

Cepsa will be handed [redacted] string [redacted] service stations [redacted] existing 600 and although foreign multinationals [redacted] clamouring [redacted] the Spanish market, they [redacted] likely to find the established local refiners like Cepsa tough competition.

Deckel forecasts 10% sales downturn

By Katharine Campbell

DECKEL, [redacted] German machine tool manufacturer, expects [redacted] this year to fall by [redacted] 10 per [redacted] blames [redacted] export [redacted] and [redacted] effects [redacted] the slowing domestic economy.

Mr Peter-Jürgen Kreher, chief executive, who has initiated a significant restructuring programme [redacted] lossmaking group, [redacted] that the introduction of part-time working might be necessary if the slow-down at [redacted] continues.

Meanwhile, [redacted] of restructuring, which [redacted] entailed cutting back on non-core businesses, are already apparent in the 1990 figure. Deckel [redacted]

[redacted] to [redacted] 25 per cent increase to DM602m ($406.7m), while [redacted] losses should be around a quarter of the 1989 figure of DM45m.

By the end of last year, Deckel had shed around 10 per cent [redacted] staff, bringing the number [redacted] employees down to 2228, and it aims a further reduction of the figure to below 2,000.

[redacted] orders from [redacted] in the second half of 1990 – [redacted] *strength* [redacted] *D-Mark* and slowing foreign econ[redacted] affected most [redacted] the machine tool branch – meant that the order book, [redacted] DM616m, stood [redacted] per cent [redacted] its 1989 value.

Nationale-Nederlanden — NMB POSTBANK GROUP

Who's behind our merger?

Lets call her Victoria.

She's still young. But, as her parents well know, some of her needs are already financial.

And, as she grows, those needs will grow too.

To [illegible] with, there's her financial protection.

Then there'll be her education, the higher the better. And her own bank savings accounts. As she starts work, she'll need [illegible] finance and insure her [illegible] There'll be mortgages and property insurance; life assurance and medical insurance; provision for her retirement and for her own family. And these days, if Victoria goes into business on her own...

So we could continue; but we hope the point is made: for Victoria's generation, banking and insurance are natural partners.

It's to meet their needs, present and future, that Nationale-Nederlanden and NMB Postbank Group are proposing [illegible] merge.

Together, we shall have the depth and breadth of resource to [illegible] the needs of our customers of all ages; needs which [illegible] becoming increasingly varied and demanding. And we shall have the channels to deliver those services in the [illegible] cost-effective manner.

However, it's [illegible] just a merger planned for Victoria.

It's also planned [illegible] help us support our corporate clients and position us [illegible] take advantage of the single European market and wider international opportunities.

The new financial group will be Holland's largest.

It will be [illegible] partnership of equals; the better [illegible] serve our customers, our shareholders, intermediaries and employees. And, of course, Victoria.

Internationale Nederlanden Group

In response to the future.

This advertisement does not constitute an [illegible] of securities in any company. This advertisement is issued by Internationale Nederlanden Groep N.V. ("Internationale Nederlanden") [illegible] its contents, which have been prepared by [illegible] are the sole responsibility [illegible] Internationale Nederlanden, have been approved for the purposes of the United Kingdom Financial Services Act [illegible] by S.G. Warburg & Co. Ltd., which has acted as financial [illegible] Nationale-Nederlanden N.V. and NMB Postbank Groep N.V. in [illegible] to this transaction and is a member of The Securities Association. Securities may go down as well as up and securities [illegible] in Dutch Guilders may also go down [illegible] well as up in Sterling terms, by [illegible] of changes in the Sterling/Guilder rate of exchange. For regulatory [illegible], neither [illegible] offer document [illegible] other document in [illegible] with the merger may be issued or passed on to any person in the United Kingdom other than a person who demonstrably [illegible] or who provides written evidence that he [illegible] of a kind [illegible] article [illegible] of the Financial Services [illegible] (Investment Advertisements) (Exemptions) Order [illegible]

United Technologies unit to cut up to 1,500 jobs

By Martin Dickson in New York

UNITED Technologies, the diversified engineering group, has forecast a drop in first-half profits and said its Pratt & Whitney aero-engine business would cut [illegible] 1,000 and 1,500 jobs by the end of June.

UTC blamed the staff [illegible] tions and much [illegible] the anticipated profits decline on the impact of [illegible] on the world's airline industry.

Another [illegible] hitting profits [illegible] the [illegible] in the US construction and motor industries. UTC subsidiaries include Otis, the maker of lifts; Carrier, the air conditioning company; and UT Automotive, which [illegible] automotive parts.

Mr Robert Daniell, chairman, [illegible] "The [illegible] half will be down for UTC, [illegible] nation gets a few pleasant surprises that jump start the economy."

In the first half of 1990, UTC reported net income [illegible] or [illegible] a share, on revenues of $10.5bn.

Mr Daniell added that the longer term continued to look "very, very bright," with [illegible] markets, which now [illegible] for 53 per [illegible] of revenues, [illegible] to grow rapidly.

Company [illegible] said Pratt & Whitney, which has a $25bn backlog of commercial engine orders – some $15bn of them firm – had not seen any dramatic movement by crisis-hit airlines to cancel deals.

However, the aviation downturn had hit Pratt's most prof[illegible] business, [illegible] parts. The subsidiary said in August it would cut its workforce by about 4,000 by the end of 1993 due to cuts in US defence spending.

It now says the downturn in the commercial airline equipment business means it will have to speed up the job losses, mainly through lay-offs.

Pratt also disclosed it had signed an agreement with the Soviet Union to supply its mid-sized PW 2000 engine for two new Soviet aircraft.

However, the deal will not generate profits in the near-term, since these are aircraft the Soviet Union would like to sell to the west. For this, it must first reach western certification standards, which is likely to take a long time.

Strong sales overseas lift Sony 12.8% to Y104bn

By Emiko Terazono in Tokyo

SONY, the Japanese consumer electronics maker, reported a 12.8 per cent rise in pre-tax profits to Y104.7bn ($803.5m) for the third quarter to December.

The group posted a 17.5 per cent rise in sales to Y1,022.9bn for the three months and a 19.6 per cent advance in after-tax profits to Y50bn.

The company attributed the strong results to a 24.9 per cent rise in overseas sales, which accounted for 72 per cent of total turnover.

Sales for 8mm video cameras and compact disc players remained brisk, but Sony said that operating profit declined 10.5 per cent to Y84.8bn due to the strong yen.

For the full year, Sony projects consolidated sales to rise by 25 per cent to Y3,600bn and after-tax profit to rise 11.9 per cent to Y115bn.

Investment in plant and equipment is expected to rise to Y400bn from the previous year's Y323.8bn.

Regional banks return to basics

Robert Thomson on the financial pressures facing Japanese institutions

LIKE most [illegible] Japan's regional banks, the Oita Bank had grand plans. The bank, based in a small southern city of the same name, was torn between New York and Hong Kong as a first foreign office, and had become newly aggressive in lending to Japanese companies far from the hometown.

The obvious ambitions of regional institutions had prompted foreign expectations of a new wave of Japanese activity in international markets, expectations heightened last August when a Japanese regional, Hiroshima Bank, lead managed an internationally syndicated loan for the first time.

But the grand plans are being replaced by more modest goals. The Oita Bank has deferred a decision on foreign expansion "until our present problems are overcome", and has even become more cautious about lending to Japanese companies.

All Japanese banks have been hurt by the plunge in the securities markets and the surge in interest rates over the past year. The Bank of Japan and the ministry of finance were concerned that regional banks could be particularly vulnerable and suggested that they go back to the basics of regional banking.

The banks were advised to limit asset growth and to improve their capital to asset ratios, and it appears they are taking the advice. Regionals' loan growth compared with a year earlier was only 7.2 per cent in January, down from 14.3 per cent last June.

Pre-tax profits at the 10 largest regionals fell 26.4 per cent in the half to end-September, and only a third of the 64 first-rank regionals were above the targeted 8 per cent capital to assets ratio, after virtually all were [illegible]mfortably above that mark a year ago.

Japan's regional banks were thought [illegible] conservative institutions. They [illegible] some[illegible] run by former finance ministry bureaucrats sent down from Tokyo and tend to work closely with mayors and governors in drafting development plans and funding large projects for their region.

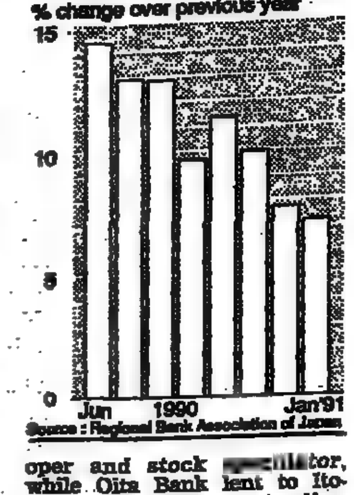
There are also regional banks in Tokyo, as banks outside the core city or commercial banks are regarded as regional, regardless of location. The Tokyo Tomin Bank, a specialist in lending to small businesses, is the 35th largest regional bank.

More typical is the Hokuriku Bank, which is based in western Japan and which held a reception late last year in London for 400 City folk to celebrate the opening of the first Japanese regional bank branch. Mr Masayuki Naruto, general manager of the bank's foreign department, said that, even before the London party began, the bank had frozen foreign asset growth.

"We have to look after the interests of our old Japanese clients and we can't afford to lend to foreign companies and foreign governments. We are getting requests for loans to US companies, but we do not want to make that kind of loan," Mr Naruto said. "I have told our foreign offices not to increase assets."

Part of the reason for the policy change is that some regional banks are attempting to clean up books spoiled by large loans to Japanese clients who have been hit by the surge in interest rates and by their speculative excesses. Hokuriku Bank is the leading bank lender to the recently failed Nanatomi, a property developer and stock [illegible]tor, while Oita Bank lent to Itoman, the stricken trading house now under reconstruction by Sumitomo Bank.

Lending growth of Japanese regional banks



Source: Regional Bank Association of Japan

Not [illegible]at Oita Bank neglected the [illegible] area. Nissan Motor has just [illegible] build an Y80bn ($613m) component plant [illegible] and [illegible] region's governor [illegible] bank president helped to negotiate [illegible] deal. The bank-company [illegible]lationship would be secured, an Oita bank [illegible] explained, by the bank's willingness to purc[illegible] Nissan shares.

[illegible] as Tokyo and [illegible] banks [illegible] stakes in their [illegible] customers, regional [illegible] buy [illegible] the locally [illegible] listed firms. A Bank of Japan regional officer said that financial pressures have forced some banks to reduce these shareholdings, though he presumes that the holdings will be topped up again when the pressures ease.

Japanese regional banks originally opened representative offices abroad as a means of helping local companies conduct their foreign business. But their ambitions were broadened by Japan's expanding international role and partly because a New York or London office had become a fashionable banking accessory.

Foreign business has fallen out of fashion as medium-sized regional banks realise they can't afford the luxury. A senior Bank of Japan official said regional banks have understood they must be wary of the speculative swirl at home and be cautious of expansion abroad.

"The financial situation has changed completely. We really don't have to tell them that. They recognise these facts and they are trying to adjust to the new situation," the official said.

Ms Alicia Ogawa, senior analyst at S.G. Warburg Securities (Japan), said some regional banks are "in better shape than the city banks", and these institutions are still keen to expand functions such as credit analysis and to establish mergers and acquisitions departments.

"About eight to 10 of the regional banks have strong capital adequacy ratios. Some of the rest are going to have trouble keeping their present clientele happy," Ms Ogawa said.

Recognising the need to improve capital adequacy, the finance ministry recently gave approval for regional banks to tap the trust banks for subordinated loans, which help to improve the Bank for International Settlements (BIS) ratio.

At the same time, regional banks wanting to reduce loan levels are reported to have begun negotiations with influential, big city companies such as Mitsubishi Materials and Marubeni, the trading house.

Placer Dome reports net up at C$191m

By Robert Gibbens in Montreal

PLACER DOME, Canada's biggest gold-producer, reported a decline in earnings from mining operations in 1990 because of low silver and base [illegible] prices, investment write-downs, higher depreciation, and financial charges.

[illegible] final net income, after including a gain on the sale of its [illegible] business, [illegible] C$191m (US$165.5m), [illegible] 81 [illegible] a share, against C$125m, or 53 cents, in 1989. [illegible] were C$1.08bn, against C$904m.

The fourth quarter [illegible] loss [illegible] C$8.8m, [illegible] cents, [illegible] write-downs, against profit [illegible] C$34.8m, or 15 cents, a year earlier. Revenues [illegible] C$287m from [illegible]

Continuing operations showed net profit of C$73.4m, against C$111m, mainly from the metal mining group.

Net gold output from mines [illegible] North and [illegible] south-east Asia was 1,411,000oz, against 1,183,000oz, [illegible] 12.9m oz ([illegible] oz), and [illegible] 57.6m lb (56.2m lb).

Olympia & York benefits from Allied-Lyons sale

By Bernard Simon in Toronto

OLYMPIA & York Developments, the real estate developer building the Canary Wharf project in London, is to receive C$420m (US$364m) in special dividends from a subsidiary [illegible] week [illegible] 9 per [illegible] in Allied-Lyons, the UK food and drinks group

GW Utilities, which [illegible] per cent owned by O&Y, [illegible] terday it [illegible] special [illegible] from the proceeds of [illegible] C$901m [illegible] Allied-Lyons [illegible]. The bulk [illegible] remaining amount [illegible] reduce GWU's bank [illegible] in Britain.

[illegible] brings to C$770m [illegible] amount [illegible] by O&Y from [illegible] sales. GWU declared a C$10-a-share dividend towards the end of last year after the disposal [illegible] its controlling interest in Consumers Gas, Canada's biggest natural [illegible] utility.

The Toronto-based Reichmann family which [illegible] O&Y keep [illegible] company's financial condition a closely-guarded secret. The Reichmanns have indicated they have taken a strategic decision to concentrate on their core real estate interests and to increase liquidity.

[illegible] its parent company is proceeding [illegible] plans to buy out its minority shareholders at C$18 a share, after payment of the special dividend. The privatisation, expected to be completed by mid-year, [illegible] conditional on GWU's [illegible] per cent-owned affiliate Interhome Energy disposing of its wholly-owned oil and gas subsidiary Home Oil.

Analysts expect the Home Oil sale to be followed by the disposal of Interhome's other main division, Interprovincial Pipe Line, Canada's main oil pipeline operator. The IPL sale is expected to raise about C$800m.

The gain from the Consumers Gas sale was the main reason for a sharp rise in GWU's earnings to C$244m (C$6.21 a share) in the six months to December 31, from C$6m (15 cents a share) a year earlier.

Benguet posts fall in net income

By Greg Hutchinson in Manila

BENGUET Corp, a leading Philippi[illegible] and [illegible] producer, reported [illegible] consol[illegible] income [illegible] 251.7m pesos (US$9m) in 1990 from 342.2m pesos in 1989.

A 20 per cent depreciation of the Philippine peso during 1990 contributed to lower net profits in dollar terms.

Operating revenue increased slightly to 3.99bn pesos from 3.96bn pesos, despite reduced production volume, particularly from the Benguet underground gold mines. Those mines were severely affected by last July's earthquake, and output has not fully recovered.

Earnings from operations came mostly from the open-cut Dizon copper-gold operations, which increased earnings to 333.1m pesos from 287.6m, due to the peso devaluation and reduced net production costs.

Production of gold at Benguet, the country's largest gold mine, fell to 235,584oz in 1990 from 268,885oz in 1989.

BIL may have to buy further 9.5% of CHH

Terry Hall in Wellington

BRIERLEY Investments (BIL), the New Zealand company founded [illegible] entrepreneur Sir Ron Brierley, yesterday confirmed it had entered into a put option which could require it to buy a further 9.5 per [illegible] of [illegible] Holt Harvey (CHH), bringing [illegible] holding to 27.5 [illegible] of [illegible] New Zealand [illegible] group.

[illegible], Mr Paul Collins, chief execu[illegible], said the chances of BIL being called on to buy the extra shares were extremely remote.

He said the arrangement had been entered with the Bank of New Zealand to safeguard the bank under capital adequacy rules which ensured the bank did not have too large an exposure to any one company.

In effect, BIL, as the main shareholder in CHH, was acting as a third party in a temporary financing arrangement.

The option, which expires on March 27, could require BIL to buy up to 56,960,000 shares in CHH at NZ$1.15 a share. CHH is currently selling at around 30 cents above that price, and Mr Collins said that while BIL would like to acquire that parcel at that price, it was most unlikely.

BIL has no power to insist on exercising its rights to the shares at NZ$1.15

Mayne Nickless interim net profits slip 21%

By Kevin Brown in Sydney

[illegible] Nickless, the Australian transport, [illegible] and health care group, [illegible] day announced a fall of 21 per cent in interim net profits to A$51.3m (US$40.7m) on turnover up 10 per cent to A$1.5bn.

The result underlines the serious impact of recession on Australian transport companies. TNT, one of the world's biggest integrated transport groups, announced a fall of 31.5 per cent in net profits earlier this week.

The Mayne Nickless result was in line with market expectations, but the company said the fall in net profits was only 13.7 [illegible] mal profits of A$6.1m before tax in the corresponding period of last year.

The shares closed 20 [illegible] lower on the Australian [illegible] Exchange at A$6.20. The directors cut the interim dividend by 2.5 cents to 17.5 cents, but said the full-year [illegible] would be maintained "in the absence of any material deterioration in second-half profits."

The board said difficult economic conditions had persisted throughout the half in many of the countries in which the group operates. Road express and freight forwarding operations in [illegible] suffered reduced volumes.

Results from operations in [illegible] Europe [illegible] "sound", but were offset by reduced earnings from Parceline, the British express delivery business, [illegible] hit by [illegible] depressed trading [illegible]ment in the UK. Trading results were "most encouraging" in North America, despite economic downturns there.

The group said results for the first two months of the second half had shown no indication of an upturn in trading volumes, but there had been an increase in revenue from new businesses such as its hospitals activities.

At the operating level, earnings from the transport [illegible]sion fell [illegible] per cent to A$37.1m, but the contribution [illegible] the security [illegible] division rose 4.7 per [illegible] to A[illegible].4m.

[illegible] of [illegible] (HoA), the group's 82.4 per cent health care subsidiary, earlier reported an increase of 125 per cent in net profits to A$1.85m. (correct). Mayne Nickless has made an offer for the HoA shares it does not own, and the board said growth prospects were "encouraging".

Pasminco falls 92% and forecasts loss for full year

By Kevin Brown

PASMINCO, the Australian metals producer, yesterday announced a 92 per cent fall in net profits from A$77.6m (US$61.5m) to A$6.4m for the six months to December, and warned it would make a "significant loss" for the full year.

The company said there would be no interim dividend, against a dividend of 4.5 cents at the end of last year's first half. The shares closed 8 cents lower on the Australian Stock Exchange at A$1.20.

The interim result reflected a 13 per cent fall in the Australian dollar price of zinc, its major product, which was only partially offset by a six per cent increase in the average price of [illegible].

Lower zinc prices and [illegible] exchange [illegible] kept revenue almost static [illegible] A$877m against A$875m in the corresponding period, but the cost of sales and exploration rose from A$726m to A$828m, cutting pre-tax profits from A$149m to A$42m.

Pasminco said the increased cost of sales reflected higher production and the impact on its European smelting operation of the strength of sterling and the Dutch guilder against the US dollar. The directors said prices for zinc and lead had deteriorated since the end of the half year, while the increased strength of the Australian dollar against the US dollar would depress earnings in Australian dollar terms.

"In the absence of any major improvement in these prices and more favourable exchange rates the outlook for the year to June 30 is for a significant loss," the board said.

Mr Peter Barnett, chief executive, said Pasminco would cut planned capital expenditure by A$100m this year by deferring some projects.

"On the pure economic fundamentals, we don't believe there is [likely to be] any significant improvement in metals prices in the near term, and we are planning our business [illegible] around that [illegible] of scenario," [illegible]

● The Australian government will receive an official report next week valuing state-owned airlines Qantas Airways and Australian Airlines in preparation for their sale, according to Mr Ralph Willis, finance minister, Reuter reports.

He said the study by private analysts will suggest possible selling methods. It will be assessed by the relevant ministries and a recomm[illegible]tion put to the cabinet.

INTERNATIONAL CAPITAL MARKETS

NY rallies on hopes of easing in credit crunch

By Patrick Harverson in New York [redacted] Tracy Corrigan in London

COMMENTS from the Federal [redacted] chairman that seemed to dampen hopes [redacted] an immi- [redacted] interest rate cut combined with worse-than-expec- [redacted] news on inflation [redacted] bond prices lower in New York yesterday morning. But the market [redacted] in the [redacted] on hints from the Fed that bank [redacted] require- [redacted] might soon be loosened.

At midday, the benchmark 30-year Treasury [redacted] was down just [redacted] at 98⅝, to yield [redacted]. Earlier in [redacted] morning, the long [redacted] had been down over half a point. The two-year note [redacted] unchanged at 100¾, yielding [redacted] per cent.

The early declines [redacted] after Mr Alan Greenspan, the Fed chairman appearing before a Congressional committee yesterday, warned that the danger of inflation had not passed. He hinted that any planned cuts

BENCHMARK GOVERNMENT BONDS

	[redacted]	Red Date	[redacted]	[redacted]	[redacted]	Week [redacted]	[redacted]
UK [redacted]	[redacted]	09/92	[redacted]	-	[redacted]	[redacted]	11.40
	[redacted]	03/00	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	9.000	10/08	[redacted]	[redacted]	9.70	9.70	9.91
[redacted] TREASURY *	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	7.77	[redacted]
	[redacted]	02/21	[redacted]	[redacted]	8.02	[redacted]	[redacted]
JAPAN No 119	[redacted]	06/99	[redacted]	[redacted]	6.64	6.68	[redacted]
[redacted]	[redacted]	03/00	100.6057	[redacted]	6.30	[redacted]	[redacted]
GERMANY	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted] BTAN	9.000	[redacted]	[redacted]	[redacted]	9.25	[redacted]	[redacted]
OAT	9.500	01/01	[redacted]	[redacted]	9.01	[redacted]	[redacted]
[redacted] *	[redacted]	03/01	105.9500	[redacted]	[redacted]	9.56	[redacted]
NETHERLANDS	9.250	[redacted]	[redacted]	[redacted]	[redacted]	8.76	[redacted]
AUSTRALIA	[redacted]	07/00	[redacted]	[redacted]	11.41	11.50	[redacted]
BELGIUM	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	9.71

[redacted] closing, [redacted] New York morning [redacted]
[redacted] Prices [redacted] UK in 32nds., others in [redacted]

[redacted]

GOVERNMENT BONDS

interest [redacted] had [redacted] for the moment.

His testimony [redacted] showing [redacted] price inflation [redacted] per [redacted] in January. The increase in [redacted] rate, which [redacted] energy prices, was even higher, at 0.8 per cent for the month. Both figures were above market forecasts.

However, [redacted] for [redacted] market in Mr Greenspan's suggestion [redacted] there [redacted] room for further [redacted] ease [redacted] crunch. Such action could take the form of another reduction in banks' [redacted] requirements, [redacted] give banks greater [redacted] discount window, through which banks borrow money against collateralised securities.

Fed funds continued to trade above the target rate of 6¼ per cent, in spite of overnight [redacted] tem repurchase agreements concluded mid-morning by the monetary authorities. [redacted] remained [redacted] because of [redacted] funds [redacted] the end of [redacted] period.

At midday, [redacted] unchanged [redacted] 7 per [redacted].

■ Prices [redacted] German [redacted] a [redacted] points yesterday, [redacted] technical [redacted] on Tuesday persisted [redacted] early trading. [redacted] from [redacted] fading [redacted] hopes [redacted] imminent [redacted] the Gulf [redacted].

The March bund contract on the London International Financial Futures Exchange fell as low as 85.27 yesterday, having peaked at 86.66, that contract's all-time high, on Tuesday. A [redacted] selling during the morning session was triggered by rumours that another new bund issue [redacted] be [redacted] Friday.

However, the rumour [redacted] unsubstantiated, and the market began to pick up again dur- [redacted] on short-covering [redacted] some retail interest, to end [redacted]. Deal- [redacted] still looks technically vulnerable.

■ UK Gilt prices fell [redacted] ¼ point in [redacted] market, but [redacted] in the futures market [redacted] on Liffe [redacted] point [redacted]. [redacted] German market [redacted] dragging [redacted] overbought [redacted] market.

[redacted] UK [redacted] supply [redacted] for January [redacted] hopes [redacted] a further [redacted] rather than later.

In particular, [redacted] lower-than-expected [redacted] figure [redacted] for bank and building society lending helped shore up market sentiment.

■ The Japanese government bond [redacted] end [redacted] trading [redacted] partly [redacted] influence of tight monetary policy by [redacted] Japan. The bank unexpectedly recalled Y1,000bn of loans to city banks in the money markets, putting pressure on the overnight call rate, and dashing hopes of an imminent interest rate cut.

The new No. 129 benchmark was yielding around 6.30 per [redacted] London's close, [redacted] the bottom of its price [redacted].

Citicorp may sell stake in credit card business

By Martin Dickson in [redacted] York

CITICORP, [redacted] largest US banking group, [redacted] exploring [redacted] possible [redacted] 20 per [redacted] in its [redacted] business to [redacted] more than $1bn [redacted] equity capi- [redacted].

The [redacted] is part of [redacted] increase its equity [redacted] some $4bn to [redacted] over [redacted] next [redacted]. Citicorp [redacted] problem [redacted] portfolio [redacted] widely regarded on [redacted] being inadequately capitalised.

[redacted] is [redacted] biggest [redacted] the [redacted] outstand- [redacted] of [redacted] management.

Citicorp [redacted] comment on [redacted] possible [redacted] sale, [redacted] it [redacted] the bank has retained Goldman, Sachs, the investment bank, to explore the possibility of an initial public offering of [redacted] or a placing with one or [redacted] large [redacted].

Analysts [redacted] successful [redacted] give [redacted] boost [redacted] Citicorp capital raising [redacted] – [redacted] efforts to place $1bn [redacted] $1.5bn of convertible preferred stock with international investors, where commitments have been slow to materialise.

A sale of the credit card [redacted] might boost [redacted] potential preferred [redacted] in the [redacted] ability to [redacted] capital [redacted] goals.

[redacted] surprisingly [redacted] public offering [redacted] of shares in [redacted] largest credit card business in the US, which was spun off from the struggling Maryland bank holding company, MNC Financial, raising some $1.1bn. That was also handled by Goldman Sachs.

A similar price tag on the Citibank operation would give the entire business a value of around $6.5bn, and a 20 per cent stake a value of $1.2bn to $1.3bn.

The recent surge in US stock prices, if sustained, would help any offering of shares in the credit card business and might even make an offering of Citicorp common stock a possibility, although most Wall Street analysts expect the bank to sell off a significant assets to reach its $4bn to $5bn goal.

EIB increases CP facility to L600bn

THE [redacted]pean Investment Bank (EIB), is raising to L600bn the commercial paper programme arranged last May by IMI Bank (Lux), the Luxembourg Eurobond operation of Italy's Istituto Mobiliare Italiano, writes Haig Simonian in Milan.

At the same time, IMI said IMI (Lux) will shortly start making markets in lira-denominated Eurobonds, [redacted] Ecu [redacted] coming soon [redacted].

The lastest change [redacted] EIB [redacted] issuance [redacted] resents the second [redacted] the original L200bn launch size, and follows the market's [redacted] the issue, according to IMI.

[redacted] which [redacted] maturity of [redacted] year, has allowed [redacted] EIB [redacted] to [redacted] at considerably [redacted] Libid, even in [redacted] conditions.

[redacted] EIB is [redacted] only supranational institution to issue Eurolira commercial paper.

FT/AISD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:05 pm on February 20

U.S. DOLLAR STRAIGHTS	Issued	[redacted]	[redacted]	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[redacted]	[redacted]	-⅛	7.98
ALBERTA PROVINCE 9 3/8 95	[redacted]	104½	[redacted]	-⅛	8.16
AUSTRIA 8 1/2 00	[redacted]	100¼	100½	-⅛	8.46
BANK OF TOKYO 8 3/8 96	100	99	99½	-⅛	8.62
BELGIUM 9 1/8 92	400	102¼	102½	-⅛	7.59
BFCE 7 3/4 97	150	98	98½	-	[redacted]
BHP 8 5/8 94	300	101¾	102¼	-⅛	[redacted]
BP CAPITAL 9 5/8 93	[redacted]	102⅝	103⅛	-⅛	7.99

[redacted]AIGHTS	[redacted]	Bid	Offer	Chg. day	Yield
[redacted] VERENS INT 7 94 LFr	[redacted]	92	93	+⅛	[redacted]
[redacted] P 7 93 LFr	1000	[redacted]	94½		[redacted]
WORLD BANK 8 96 LFr	1000	[redacted]	[redacted]	+⅛	[redacted]
AMRO BANK 6 1/4 92 Fl	[redacted]	[redacted]	[redacted]		[redacted]
RABOBANK 5 3/4 93 Fl	[redacted]	[redacted]	[redacted]		[redacted]
ALBERTA PROVINCE 10 92 C$	500	[redacted]	[redacted]	-⅛	10.01
BCE INC 9 5/8 93 C$	300	[redacted]	99½		10.32
BELL CANADA 10 5/8 99 C$	150	[redacted]	101⅛	-⅛	[redacted]

New proposals for banks' loan loss provisions

By David Lascelles, Banking Editor

[redacted] proposals for [redacted] treatment of general provisions against loan losses are being put forward today by the Basle committee of international supervisors.

The proposals lay down conditions in which these [redacted] sions can be included in a bank's capital calculations – a difficult area which was intentionally left blank by the original Basle [redacted] in 1988.

The Basle committee is proposing that general provisions can be included in capital when they do not reflect an identified loss and are therefore available [redacted] any future losses. A general provision against Third World debt or real estate lending would not qualify.

General provisions would count as Tier [redacted] capital, which cannot exceed 50 per cent of a bank's capital. Tier 1 capital consists of equity and retained earnings.

The proposals, aimed at bringing consistency to an area where national practices vary widely, are unlikely to make any difference to banks' capital ra[redacted] in many countries, the committee says.

The committee will be receiving comments this year, and hopes to implement the proposals by the end of 1993 at the latest.

Saudi American Bank [redacted] earnings by 25%

By David Lascelles

SAUDI American Bank, the Saudi joint venture bank which is 40 per cent owned by Citibank, increased net earnings by 25 per cent last year to Saudi Riyals 527m, despite the Gulf war.

Factors in this gain included a SR104m rise in net operating revenues, a low SR29m increase in operating expenses, and a reduction of SR29m in the net charge for loan losses.

Total assets grew 13 per cent to SR30bn. Deposits were up [redacted] per cent and loans 18 per cent.

Mr Mehli Mistri, managing director of the Riyadh-based bank, [redacted] the satisfactory result had [redacted] achieved [redacted]ite the uncertainties of [redacted], and he was confident that the bank could maintain its leadership thrust.

ECU sector begins to show signs of over-supply

By Simon London

THE international bond market began to show symptoms of over-supply yesterday, following one of the heaviest days for new issues on Tuesday. The area of the market which suffered most from indigestion was the Ecu sector,

INTERNATIONAL BONDS

which has seen Ecu7.8bn [illegible] new bonds since the start of last week.

Italy's Ecu2.5bn 20-year [illegible] was priced [illegible] a coupon of [illegible] per cent and an issue price [illegible] 98.16, to [illegible] a yield spread of 10 [illegible] points [illegible] the borrower's outstanding 10¾ per cent 10-year issue.

However, the lead manager said that it had bought back around 10 per cent of the issue yesterday against the background of weak prices in [illegible] secondary market.

On the Matif, [illegible] Paris futures exchange, the Ecu bond [illegible] finished a [illegible] day [illegible] 105.10 [illegible] opening [illegible] 105.90.

By [illegible] afternoon, [illegible] Italy issue was trading [illegible] bid, outside full [illegible] 50 [illegible] points.

Caisse Centrale de Cooperation Economique, the French [illegible] development bank, yesterday launched [illegible] £117m 10-year deal lead managed by Barclays de Zoete [illegible]edd.

The paper carries a 10⅞ per cent coupon and was priced at 99.51, to yield 40 basis points over UK government bonds.

Unusually, the paper carries the explicit guarantee of the French government. Last month the government indicated that future bond issues by state agency borrowers would not be granted an explicit guarantee.

However, the guarantee [illegible] maintained for this [illegible] because the proceeds will be used to fund France's contribution to the International Monetary Fund.

The contribution will be paid in Special Drawing Rights, the basket of currencies used by the IMF for its financing. The proceeds of the issue will be swapped into dollars, [illegible] D-Marks, and French francs.

The funds will be held by Banque National de Paris, the joint lead manager, and drawn down by the borrower over 2½ years as the IMF requires funding from the French government.

The World Bank's $1.5bn 10-year global bond offering was priced [illegible] a yield spread of [illegible] basis points over US Treasury paper.

The bonds carry [illegible] coupon of 8⅛ per cent [illegible] price *was fixed at 99.173.*

Against the background of a volatile US Treasury market, [illegible] World Bank [illegible] traded up to [illegible] bid in late afternoon for a spread of [illegible] basis points [illegible] government paper.

[illegible] Hydro's C$1bn 10-[illegible] global [illegible] priced at [illegible] yield spread of 65 [illegible] points over [illegible] ment [illegible]. The [illegible] was fixed at 10 per cent and the [illegible] price was [illegible].

The appetite [illegible] investors for [illegible] dollar [illegible] prompted British [illegible] C$250m of seven-year [illegible] Bank Corporation. At the [illegible] price of [illegible] a coupon of 10⅛, the [illegible] yield spread of 51 [illegible] points [illegible] comparable [illegible] ment bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
[illegible]	1.5bn	8⅛	99.178	2001	[illegible]	[illegible]
Hypgo [illegible] Int.Fin.(c)†♦	150	[illegible]	100	2001	½/0.175	[illegible]
ECUs						
Republic [illegible]	2.5bn	9¼	98.16	2011	½/¼	[illegible]
STERLING						
CCCE(a)♦	117	10⅞	99.51	2001	32½bp	BZW

Futures exchanges reject Senate plan

By Barbara Durr in Chicago

CHICAGO'S [illegible] exchanges objected yesterday in [illegible] a [illegible] compromise on [illegible] long-running dispute between [illegible] Commodity Futures Trading Commission and the [illegible] and Exchange Commission.

At a Senate Agriculture Committee hearing, the chairmen of the Chicago Board of Trade and the Chicago Mercantile Exchange said the compromise would [illegible] financial integrity of [illegible] markets.

The exchanges [illegible] proposal which [illegible] margin authority for [illegible] index [illegible] Federal [illegible].

Mr William O'Connor, of [illegible] CBOT, [illegible] the [illegible] "unnecessary and impractical" [illegible] the Fed [illegible] as quickly as the exchanges [illegible] or lower margins in moments of [illegible].

Mr [illegible] Sandner, chairman [illegible] the CME, criticised compromise provisions which would allow certain new financial products [illegible] over the counter or [illegible] if they should be regulated by [illegible] or [illegible] regimes.

[illegible] legislation [illegible] consideration, [illegible] Futures Trad[illegible] Act of 1991, [illegible] a five-year reauthor[illegible] of [illegible] CFTC.

SEC alters net capital rules

By [illegible] Harverson in [illegible] York

THE SECURITIES and Exchange Commission, the US watchdog, voted yesterday to changes in its net capital rules which will force broking firms [illegible] give [illegible] commission early notice of large capital movements.

The amendments will also give the SEC [illegible] power [illegible] prevent holding companies from taking money [illegible] of broking subsidiaries if the SEC believes the [illegible] would jeopardise the broking unit's financial health.

Covering risks of global volatility

Stephen Fidler examines an OECD report on the financial system

AN INCREASED possibility of extreme price [illegible] world's [illegible] markets suggests market supervisors should consider increasing the capital requirements for securities houses and raising the margin downpayment by users of futures markets.

These [illegible] among the conclusions of [illegible] report, just published, by an expert group [illegible] the Organisation for Economic Co-operation and Development (OECD) into the risks to the financial system and to economic well-being posed by the growing interdependence of financial markets worldwide.

The report says: "It would be prudent for securities regulators to work on the assumption that securities markets have become more susceptible to large precipitous price falls which would be rapidly transmitted around the world."

Margin requirements for futures exchanges are not normally set by market regulators, but by clearing organisations linked to individual markets. "We have some concern," says the report, "that in striking the balance between market liquidity and prudential considerations, they may, in a competitive environment, attach too much weight to liquidity."

In a market crisis, futures exchanges may well be forced to increase margin requirements further intensifying a liquidity squeeze which may also be developing. Regulatory authorities should therefore, where appropriate, encourage clearing houses to increase the degree of protection against possible extreme price movements.

Its recommendation that consideration should be given to raising capital requirements for securities houses "need not mean that capital requirements should be set at prohibitive levels or should attempt to prevent any intermediary failing".

The report expresses concern that the existence of different regulatory regimes in different countries "encourages regulatory arbitrage, leaves some significant risk-taking activities by intermediaries outside the financial net, fails to deliver a comprehensive supervisory oversight of conglomerates and complicates the task of international supervision between authorities".

Efforts to establish multilateral and bilateral information sharing among regulators should be intensified.

Some members of the group also believed serious consideration should be given to "the construction of a more closely integrated system of supervision of internationally active intermediaries in securities markets".

To [illegible] this, securities regulators would need to develop the equivalent of the so-called Basle Concordat now agreed among international [illegible] supervisors, defining [illegible] relative responsibilities of supervisors in the home market and in host countries. This would need to be co-ordinated with bank supervisors.

Greater consistency is also needed in setting minimum capital adequacy requirements and current efforts needed to be pursued intensively to achieve workable solutions for what it acknowledges is a "formidable task".

The study also concludes that *dealer markets* – such as the International Stock Exchange in London – give rise to more concern for the financial system than the more traditional auction markets. It says: "There is no evidence that any particular market structure is superior to others."

But it adds: "Intermediaries evidently carry the greatest market risk, however, in those markets where they customarily take large positions as principals. In that sense, competing market-maker structures give rise to greater systemic concern than pure auction markets."

However, since it may be argued that this type of market is best suited to deal with financial institutions wishing to deal in large size, "we do not see this as an argument for dismantling them but as one for focusing attention of the risk management of the intermediaries".

The report suggests the banning of certain trading techniques, such as programme trading, would not make a lasting contribution to the safety of the financial system.

The report also expresses some doubts about "circuit breakers" – market halts meant to give a disorderly market time to return to order. It was conceivable that an inability [illegible] one [illegible] because a circuit breaker is in operation merely forces sales in other asset markets where circuit breakers are not operating. "This might transmit systemic concerns elsewhere in the financial system or the real economy."

Circuit breakers might also encourage a "magnet effect" – which draws a market down to levels where circuit breakers take effect – as sellers try to sell before a trading halt takes effect.

The study also notes that circuit breakers only come into play when a disorderly market has already arisen. As much care needs to be given to devising a satisfactory mechanism for restarting as for closing markets, it says. They cannot guarantee that panic will not continue after trading reopens. "Their availability cannot guarantee the containment of systemic contagion in a major market crisis," the report concludes.

It endorses recent recommendations for improving and accelerating arrangements for settlement of securities transactions – to move to shorter settlement periods, rolling settlement, book-entry transfer systems and links between settlements arrangements in home and host countries; and "above all, to achieve simultaneous good delivery of securities against payment for them". It says netting arrangements would also help.

■ *Systemic Risks in Securities Markets, OECD Publications, 2 rue André-Pascal, 75775 Paris Cedex* [illegible] *FFr100.)*

Defence sought against Eurobond failure

By Tracy Corrigan

UNDERWRITERS are adopting new strategies towards protecting themselves in the event that a Eurobond issue cannot close because of unforeseen circumstances.

A deal launched by IBJ International [illegible] Monday [illegible] an [illegible] clause requiring the termination of the issue to be decided by vote. A two-thirds majority among underwriters is needed to terminate the issue. The deal in question was a C$200m issue for Asfinag, the Austrian road financing agency.

Mr Lloyd Schultz, an associate [illegible] IBJ International said that more specific *force majeure* clauses were needed to clarify the position of underwriters. The Asfinag clause specifies that the issue may be terminated "if it becomes, in the opinion of the managers, impossible or impracticable to make payment [illegible] or [illegible] delivery of [illegible] bonds".

[illegible] issue of *force majeure* has [illegible] in the context of the [illegible] war. The typically [illegible] wording of *force majeure* clauses has made the question of when *force majeure* could, or would in practice, be invoked rather a grey area. Some leading borrowers have been exerting considerable pressure to narrow the conditions under which *force majeure* can be invoked, because they are fearful of being locked into swap agreements, which are unconditional, launched in conjunction with a cancelled bond issue.

Because a lead underwriter often fulfils the role of swap arranger or counterparty as well, conflicts of interest can arise. A lead underwriter also acting [illegible] swap counterparty [illegible] willing to invoke *force majeure*, which could [illegible] detriment [illegible] other underwriters.

The legal and documentation committee of the International Primary [illegible] Association, [illegible] primary Eurobond market's trade body, meets [illegible] March 5 to try to formulate a standard force majeure clause.

It is likely that a new clause will be added to specifically cover settlement problems.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses [illegible] stocks per section)	Wed Feb 20 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% [illegible]	Est. P/E Ratio (Net)	xd adj. 1991 [illegible]	Tue Feb 19 Index No.	Mon Feb 18 Index No.	Fri Feb 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (187)	797.02	-0.7	13.42	6.02	9.08	0.67	802.40	804.21	791.68	849.14
2	Building Materials (25)	1094.32	-1.3	13.12	5.54	9.39	0.45	1108.72	1109.29	1091.47	1033.97
3	Contracting, Construction (31)	1235.99	-0.5	14.53	6.37	8.93	1.46	1242.50	1238.43	1207.85	1429.08
4	Electricals (10)	2168.63	-1.3	13.02	6.15	9.40	0.80	2196.20	2206.69	2155.96	2379.05
5	Electronics (25)	1760.90	....	9.03	5.08	14.76	1.10	1759.94	1746.17	1720.92	1875.54
6	Engineering-Aerospace (8)	406.39	-0.8	16.51	6.01	7.27	0.86	409.75	410.70	406.85	414.91
7	Engineering-General (47)	396.50	-0.5	14.73	6.48	8.18	1.15	398.66	399.15	393.86	457.02
8	Metals and Metal Forming (8)	440.89	-0.5	20.69	7.81	5.96	0.00	443.30	445.73	441.41	459.47
9	Motors (13)	318.05	-1.5	15.66	7.56	7.44	0.00	323.00	322.36	316.96	356.76
10	Other Industrial Materials (20)	1396.65	-0.3	12.07	5.82	9.58	0.71	1401.20	1416.79	1395.48	1532.44
21	CONSUMER GROUP (182)	1312.05	-0.8	9.19	3.97	13.50	2.72	1323.25	1325.12	1315.76	1232.26
22	Brewers and Distillers (22)	1651.66	-0.9	9.71	3.78	12.70	7.47	1665.99	1667.82	1663.17	1442.81
25	Food Manufacturing (20)	1122.88	-0.1	10.24	4.28	12.02	1.66	1124.31	1123.34	1115.08	1060.08
26	Food Retailing (16)	2450.14	-0.2	8.64	3.16	15.14	3.15	2454.53	2465.13	2467.62	2265.24
27	Health and Household (21)	2814.06	-1.5	6.38	2.72	18.60	0.47	2855.64	2846.07	2828.92	2408.21
29	Hotels and Leisure (22)	1242.89	-1.2	10.95	5.51	10.84	0.86	1258.42	1265.19	1241.09	1533.76
30	Media (25)	1291.03	-1.1	11.31	5.33	11.16	7.81	1305.58	1304.08	1289.11	0.00
31	Packaging & Paper (11)	590.24	-1.3	8.91	5.82	13.75	0.30	597.92	595.04	583.02	562.23
34	Stores (34)	831.88	-0.5	10.21	4.39	12.75	1.67	836.39	844.49	837.43	778.42
35	Textiles (11)	453.74	-1.4	12.67	7.75	10.12	0.50	460.11	461.93	453.86	506.84
40	OTHER GROUPS (111)	1102.54	-0.5	11.70	5.43	10.34	2.51	1108.01	1110.96	1103.78	1151.71
41	Business Services (12)	1021.96	+1.0	12.23	5.28	9.94	0.00	1011.68	1005.25	984.71	0.00
42	Chemicals (21)	1194.69	-1.2	11.90	5.97	9.91	0.63	1208.87	1202.52	1179.34	1154.56
43	Conglomerates (11)	1424.64	-0.1	12.05	7.24	9.89	6.83	1426.59	1437.64	1429.97	1572.84
44	Transport (15)	2013.04	-0.7	12.98	5.05	9.50	1.78	2026.58	2010.20	2000.94	2259.96
45	Electricity (12)	1122.94	-0.9	10.98	6.27	10.99	0.00	1133.19	1151.21	1147.72	0.00
46	Telephone Networks (3)	1227.51	-0.7	10.90	4.12	11.94	0.00	1236.41	1232.32	1239.53	1203.38
47	Water (10)	2423.53	+0.7	13.99	5.78	7.99	39.69	2406.14	2470.73	2472.05	2050.12
48	Miscellaneous (27)	1761.18	-0.6	10.71	5.14	10.88	1.22	1771.56	1783.19	[illegible]	1842.54
49	INDUSTRIAL GROUP (480)	1123.71	-0.7	10.87	4.86	11.27	2.11	1131.62	1133.86	1124.06	1124.23
51	Oil & Gas (20)	2259.61	-0.4	11.46	5.88	11.42	7.42	2267.93	2249.49	2229.11	2378.73
59	500 SHARE INDEX (500)	1219.24	-0.7	10.95	5.00	11.29	2.52	1227.27	1228.01	1217.33	1228.19
61	FINANCIAL GROUP (98)	767.97	-0.3	–	6.20	–	1.00	770.05	779.20	766.00	815.69
62	Banks (9)	819.44	+0.1	19.44	7.09	6.73	1.61	818.58	835.06	821.96	865.70
65	Insurance (Life) (7)	1398.01	+0.3	–	5.49	–	0.00	1394.43	1396.34	1369.26	1334.82
66	Insurance (Composite) (6)	681.20	....	–	6.28	–	0.00	680.86	689.89	674.83	689.32
67	Insurance (Brokers) (8)	1061.04	-1.8	6.97	6.08	18.80	2.15	1080.04	1085.30	1059.47	1108.88
68	Merchant Banks (7)	394.53	+0.3	–	5.17	–	0.00	393.18	391.38	381.23	492.98
69	Property (41)	994.36	-2.0	6.67	4.73	20.53	0.90	1014.16	1025.40	1013.97	1139.93
70	Other Financial (20)	270.83	+1.0	9.27	6.65	13.62	1.60	268.19	265.32	262.66	322.21
71	Investment Trusts (69)	1099.20	-1.0	–	3.70	–	1.24	1110.74	1110.91	1084.04	1174.13
99	ALL-SHARE INDEX (667)	1108.34	-0.6	–	5.13	–	2.14	1115.14	1117.59	1106.06	1127.78

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 19	Feb 18	Feb 15	Feb 14	Feb 13	Year ago
FT-SE 100 SHARE INDEX♦	2296.8	-15.6	2312.0	2296.3	2312.4	2318.3	2296.9	2294.4	2267.8	2259.7

FIXED INTEREST

	PRICE INDICES	Wed Feb 20	Day's change %	Tue Feb 19	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.05	+0.08	120.96	1.75	1.65
2	5-15 years (31)	132.47	-0.11	132.62	1.57	2.53
3	Over 15 years (8)	141.63	-0.24	141.98	2.70	1.08
4	Irredeemables (6)	156.89	-0.01	156.91	3.29	0.00
5	All stocks (73)	131.27	-0.06	131.35	1.76	2.11
	Index-Linked					
6	Up to 5 years (2)	158.23	+0.04	158.16	0.16	1.03
7	Over 5 years (10)	145.30	-0.12	145.47	0.44	0.89
8	All stocks (12)	146.15	-0.11	146.31	0.42	0.90
9	Debs & Loans (54)	110.37	+0.12	110.23	2.99	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 20	Tue Feb 19	Year ago (approx.)
	British Government				
1	Low	5 years	9.24	9.23	10.93
2	Coupons	15 years	9.52	9.46	10.58
3	(0%-7¾%)	25 years	9.67	9.60	10.48
4	Medium	5 years	10.04	10.05	12.12
5	Coupons	15 years	9.89	9.86	10.98
6	(8%-10¾%)	25 years	9.83	9.79	10.61
7	High	5 years	10.20	10.20	12.24
8	Coupons	15 years	10.04	10.01	11.19
9	(11%-)	25 years	9.94	9.90	10.75
10	Irredeemables†		9.84	9.84	10.53
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.66	3.68	4.57
12	Inflation rate 5%	Over 5 yrs.	4.10	4.09	4.02
13	Inflation rate 10%	Up to 5 yrs.	2.18	2.19	3.59
14	Inflation rate 10%	Over 5 yrs.	3.91	3.90	3.84
15	Debs & Loans	5 years	11.90	12.09	13.04
16		15 years	11.68	11.74	12.89
17		25 years	11.46	11.46	12.89

♦Opening Index 2306.2; 9 am 2301.1; 10 am 2304.7; 11 am 2309.0; Noon 2310.8; 1 pm 2311.6; 2 pm 2304.1; 2.30 pm 2302.0; 3 pm 2297.9; 4.10 pm 2298.6; (a) 12.33pm (b) 2.47pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE [illegible] details of the information [illegible] in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	25	45	16
Corporations, Dominion and Foreign Bonds	1	5	15
Industrials	305	312	939
Financial and Properties	127	177	[illegible]
Oils	[illegible]	14	[illegible]
Plantations	4	0	[illegible]
Mines	14	52	99
Others	56	50	38
Totals	552	[illegible]	1,618

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990/91 High	1990/91 Low	Stock	Closing Price	+or-
$100	F.P.	–	95	58	‡Eldor 10p	58	
–	F.P.	–	18	16	‡Europe Energy 5p	16	
–	F.P.	–	3925	3525	Eurotunnel Fndr. Wrnts	3525	-25
–	F.P.	–	120	98	JF Pacific (New Wrnts)	120	
50	F.P.	–	45	43	Trio Inv. Tst.	44	
–	F.P.	–	9	6	Do. Warrants	7	

LONDON TRADED OPTIONS

THE GROWING belief that [illegible] has recently [illegible] too quickly led [illegible] profit-taking in [illegible] futures market yesterday, while in traded options turnover was [illegible] by [illegible] expiry of [illegible] February [illegible] options.

Equity futures spent [illegible] of [illegible] session drifting lower in low-volume trading. [illegible] some [illegible] expecting further losses [illegible] the days [illegible] there were [illegible] buyers around. But equally [illegible] seemed [illegible] to sell.

Instead, prices slid lower on the belief that the market was unsustainable at current levels. The uncertainty about the prospects for peace in the Gulf war contributed to the air of nervousness.

[illegible] were [illegible] the market would continued [illegible] weaken, although the *futures market's lead* [illegible] narrower [illegible] in [illegible] days. [illegible] the premium [illegible] at 30 points, though [illegible] it was at 15. Only some late buying pushed it out slightly to a closing [illegible] 19 and this compared with fair value [illegible].

[illegible] FT-SE [illegible] 2,317, [illegible] 15 points on the day. In [illegible] dealing, [illegible] FT-SE weakened [illegible] 2,314.

[illegible] traded options market, dealing [illegible] by [illegible] expiry of February stock options. At the [illegible] calculation, [illegible] 40,155 contracts against [illegible] in the previous [illegible].

[illegible] options [illegible] for over 33,000 [illegible] compared with 20,000. [illegible] the five busiest equity options, [illegible] recorded February as the most popular series. The remainder [illegible] lifted [illegible] rolling out [illegible] future months.

The most active stocks were British Telecom (3,282), Prudential (2,102), [illegible] 1,800, Commercial Union (1,566) [illegible] Aerospace (1,461).

[illegible] turnover stood at 6,346 compared with 5,039 with the February 2,050 puts the most active series.

CHG calls for £10m to fund developments

By Jane Fuller

COMMUNITY Hospitals Group, the private medical company, [redacted] raising £10.4m via a rights [redacted] to help fund a [redacted] building programme [redacted] the next two [redacted]

The 1-for-3 issue is priced at [redacted] per share, compared [redacted] yesterday's opening price of 172p, which shed 10p during the day.

The group [redacted] announced [redacted] per [redacted] fall to £2m (£3.1m) in pre-tax profits for the six months to December 31.

However, [redacted] previous year's figure had benefited from [redacted] than £400,000 of interest received and [redacted] £1.1m exceptional gain from selling [redacted] stake in another hospital company.

[redacted] May 1989, Community Hospitals [redacted] only the second private medical company to [redacted] floated.

[redacted] followed [redacted] footsteps [redacted] AMI Healthcare, [redacted] by Compagnie Générale des Eaux, [redacted] French services [redacted]

Since flotation, [redacted] has spent £19m [redacted] expansion and refurbishment. It [redacted] nine hospitals [redacted] and six nursing homes with 269.

The group, [redacted] had [redacted] cash in June [redacted], had [redacted] £8m debt by December 1990, representing gearing of just [redacted] per [redacted]

Mr David Croker, finance director, [redacted] that £2.4m [redacted] had been generated from [redacted]ing during [redacted] months.

To help complete the £33m programme, which includes building [redacted] hospitals and extending [redacted] nursing homes, the [redacted] could borrow up to [redacted] from [redacted] and gearing might [redacted] 50 per cent.

All [redacted] first-half turn[redacted] came from [redacted] hospitals, [redacted] contributed £1.6m to operating profit.

The nursing [redacted] made [redacted] profit.

Earnings per [redacted] fell to 5.8p (8.7p, or 5.7p [redacted] exceptional gain).

The [redacted]im dividend [redacted] 2.2p (1.9p).

The issue [redacted] up [redacted] 8.1m [redacted] has [redacted] underwritten by [redacted] is [redacted] broker.

BOARD MEETINGS

The following companies have notified dates of [redacted] meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications [redacted] not [redacted] dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

[redacted]

Interims- Abingworth, Alumasc, [redacted] Pacific Warrant, River [redacted] Geared Cap & Inc Trust 1999, SWP.

Finals- F & C Enterprise Trust, McAlpine (Alfred), Martin Intl, Green Inv Trust, [redacted] less Metalcraft, Tavenent, Tribune Inv Trust, Ward Hidge.

FUTURE DATES

Interims-	
Armour Trust	Feb. 25
Cornwell Parker	Mar. 11
High-Point	Feb. 26
Renishaw	Mar. 7
Whinney Mackay-Lewis	Feb. 26
Finals-	
Birston & Battersea	Mar. 28
CRH	Mar. 6
Cadbury Schweppes	Mar. 5
INSTEM	Mar. 6
Kalon	Feb. 26
MTL Instruments	Mar. 7
TLS Range	Mar. 11
Tudor	Apr 9
Wates City of London	Mar. 5
Watmoughs	Mar. 5

Fairbriar £3m in red and passes interim

LOSSES CONTINUED at Fairbriar, [redacted] housebuilder and developer, but at a greatly increased rate.

The interim loss, [redacted] September [redacted] 1990, has grown [redacted] £3.21m. It compared with [redacted] profit of £3.32m but that was reduced [redacted] over the year by [redacted] loss [redacted] £1.03m in [redacted] second half.

[redacted] Remo Dipre, chairman, [redacted] spite of the interest [redacted] cuts there had been no recovery in the housing market. Turnover almost halved to £8.34m (£16.17m) although margins on house sales remained relatively high.

Rental income [redacted] to grow and there were [redacted] of increasing interest in new homes. *The company had* [redacted] the rate [redacted] development in [redacted] industrial and commercial activities.

"The reduction [redacted] borrowing through disposals and [redacted] cutting is the board's prime objective", Mr Dipre said. Interest costs [redacted] £4.83m (£1.54m).

[redacted] provision had been made against the carrying [redacted] of property [redacted] However, [redacted] comprehensive valuation of all properties would be under[redacted] year-end which *might* lead directors [redacted] seek an increase in borrowing [redacted]

Losses per share were 7.45p (earnings 5.71p). The interim [redacted] omitted; last [redacted] it was 1.25p but there [redacted] no final.

£19m business park deal for UK Land

In [redacted] worth [redacted] UK Land [redacted] exchanged [redacted] for the sale of phase one of the Northampton Business Park.

The [redacted] property has been pre-let [redacted] Barclays [redacted] completion date [redacted] scheduled [redacted] 30.

UK Land's results [redacted] year [redacted] end-September [redacted] will be delayed pending agreement on financing for the remainder [redacted] the project.

The company has [redacted] announced completion of the [redacted] Maswell Estates for about £800,000.

A link-up for little change at the end of the line

David Owen on the rise of Technophone and why it was sold to Nokia last week

M[redacted] NILS Martensson is thinking about getting another dog from the [redacted]

Last week he sold Technophone, the hand-held cellular phone manufacturer he founded in [redacted] and [redacted] 39 per [redacted] of, to Finland's Nokia for [redacted] All [redacted] can think of buying with [redacted] proceeds [redacted] he would have time for and [redacted] not already [redacted] is another dog.

The [redacted] was primarily motivated, [redacted] by the need for both companies [redacted] generate efficiencies of scale in their manufacturing operations. "It must make [redacted] for the number [redacted] and number [redacted] European manufacturers to come together."

Technophone [redacted] in financial difficul[redacted] in spite [redacted] tumbling handset prices and [redacted] ever-increasing [redacted] development burden as cellular migrates from analog [redacted] technology. "We [redacted] something like [redacted] months' [redacted] deposit," [redacted] Mr Martensson. In the year to end-March [redacted] group [redacted] pre-tax profits of [redacted] on [redacted]

Indeed, little [redacted] initially expected to change [redacted] a direct result [redacted] deal [redacted] the privately-held Surrey-based [redacted] which employs [redacted] people worldwide and [redacted] manufacturing facilities in Camberley, Surrey, and Hong Kong.

Mr Martensson will [redacted] in the driver's [redacted] and output – currently running [redacted] "well over 20,000 [redacted] per month" – will continue [redacted] "hypothetically" doubling by [redacted] of [redacted] year. "Our management styles [redacted] very similar; [redacted] very little bureaucracy [redacted] company," he says.

Technophone [redacted] continue its efforts [redacted] recruit [redacted] engineers [redacted] to [redacted] already employs.

[redacted] was the UK's comparative wealth of engineers with [redacted] expertise that above all motivated the Swedish-born entrepreneur's original decision [redacted] base Technophone in London's commuter-belt. "We could not have brought together enough electronics engineers in any other country except perhaps [redacted] US," he says.

This hiring [redacted] came [redacted] on the heels of a year spent scouring [redacted] City for finance. "I have never heard so many people [redacted] that something [redacted] not be done," Mr [redacted] "We [redacted] already [redacted] dummy. Many financial insti[redacted] had [redacted] who [redacted] that something [redacted] small could not be [redacted] and that cellular [redacted] that big [redacted] business." Eventually [redacted] with [redacted] help [redacted] venture capital broker.

Today, Technophone's output – like the cellular [redacted] itself – is split about [redacted] between portable phones (which are [redacted] to be [redacted] around) and cheaper mobile phones (which [redacted] fixed in-[redacted] handsets). This has occurred [redacted] start-up [redacted] group's Hong Kong plant in 1989.

At first, the [redacted] purely [redacted] maker [redacted] portables. [redacted] strategy [redacted] adopted, according [redacted] Mr Martensson, both in a bid [redacted] the [redacted] head-on competition with international companies such [redacted] Motorola of the [redacted] which dominated [redacted] market [redacted] because "we thought [redacted] at [redacted] century portables would predominate." [redacted] first product [redacted] approved in [redacted]

An early crisis stemming from quality problems on [redacted] production [redacted] resolved [redacted] hiring of Mr Frank McGovern as factory manager. [redacted] had [redacted] trained in Japa[redacted] manufacturing [redacted] Hitachi plant [redacted]

Nils Martensson: will [redacted] in the driver's [redacted] following the [redacted]

That hiccup apart, the company prospered in part through its preparedness [redacted] re-engineer its products [redacted] markets like France and Germany whose systems did not [redacted] mass mar[redacted] technology. [redacted] profitable [redacted] by 1987-88 [redacted] £17.23m.

The [redacted] into [redacted] motivated by distributor [redacted] for a 'single-brand' approach. "Without [redacted] a full product range," says Mr Martensson. "It [redacted] always enough just [redacted] a 500cc motorcycle with[redacted] doing [redacted] sizes."

Today, [redacted] exports more than [redacted] per [redacted] output [redacted] of [redacted] markets.

Along the way, [redacted] has picked up three Queen's [redacted] for export achievement [redacted] for technology.

One thing that the [redacted] tie-up will not give Technophone [redacted] in-house chip manufacturing capability. [redacted] groups develop [redacted] chips [redacted] farm [redacted] manufacturing out [redacted] third party suppliers, known as 'foundries'.

However, Mr Martensson [redacted] vulnerable. "To support your own foundry, you [redacted] bigger production than [redacted] our combined output," he says. "We control [redacted] technological end [redacted] chip making."

Technophone's original shareholders will have [redacted] be thankful [redacted] week's transaction proves [redacted] timely [redacted] of [redacted] company's past deal-making. In May 1989, it [redacted] £11m by selling [redacted] in Excell, [redacted] UK distributor. Late last year, [redacted] receivership, [redacted] victim [redacted] vicious shake-out currently afflicting the [redacted] telecommunica[redacted] service [redacted]

[redacted] Martensson acknowledges [redacted] was [redacted] at [redacted] the market, but [redacted] that things could [redacted] been different. "We [redacted] to buy a company of similar size [redacted] mass, [redacted] they were holding [redacted] a high price [redacted] eventually said 'OK, let's go the other way.'"

Deal elevates Nokia to second place in cellular phone league

NOKIA, the Finnish company that has successfully challenged Japanese and American giants in the cellular [redacted] field, [redacted] purchase of Technophone of the UK will secure its role in world markets, [redacted] Enrique [redacted] in Helsinki.

Mr Jorma Ollila, [redacted] of Nokia's cellular subsidiary, said that in the next two years there would be a significant shake-out in the industry [redacted] would [redacted] the market with 10 [redacted]

The Technophone [redacted] which was announced last [redacted] would turn Nokia Mobile Phones into [redacted] second largest cellular telephone maker after NEC [redacted] Japan and ahead of Motorola of the US, he said.

Technophone [redacted] crucial [redacted] Nokia Mobile Phones because it provides critical mass and a basis for growth in an ever-increasing [redacted] global mobile phones market, he [redacted]

"The acquisition can be justified in three ways: it gives us additional volume, [redacted] our market [redacted] and, most important, it increases our research and development resources. In my opinion we had, in the [redacted] a shortage [redacted] R&D [redacted]" he added.

Nokia Mobile Phone is expected to report net sales up from FM1.74bn to FM2.3bn (£326m) in 1990, amounting to 10.1 per cent of the group's expected sales of about FM22.8bn.

Mr Ollila, who [redacted] value of Technophone's R&D assets, does not believe that the UK-based company will [redacted] immediate impact on [redacted] production.

"It is still too early to say, but it will take one to two years before you can make any changes in your plant focus and before you can have the next genera[redacted] into the production," he said.

About 70 per cent [redacted] Nokia's mobile phones [redacted] sion production units is outside Finland, in Germany and South Korea, where in 1[redacted] it founded a joint venture with Tandy, the US [redacted] group, to serve [redacted] US market.

COMPANY NEWS IN BRIEF

AMBROSE INVESTMENT Trust [redacted] together with its advisers, Coopers & Lybrand [redacted] it would con[redacted] possible offer from [redacted] to shareholders [redacted] possible. Until then [redacted] were [redacted] to [redacted] action.

BABCOCK INTERNATIONAL has acquired [redacted] per cent [redacted] the equity [redacted] nominal consideration. [redacted] in 1987 [redacted] provide prison contracting services to government bodies in the UK and overseas, are Pricor, based in Nashville, and Racal Chubb, both [redacted] 30 per cen[redacted]

BAKER HARRIS Saunders Group has acquired CPC, a [redacted] consultancy firm with [redacted] in [redacted] York, [redacted] Angeles and Denver, [redacted] (£487,000). The acquisi[redacted] will [redacted] part [redacted] a [redacted] arm [redacted] group concentrating [redacted] consultancy [redacted]k.

BROAD STREET Group: BDDP [redacted] until 3pm on March 4. BDDP [redacted] received acceptances in respect of 26.23m Broad [redacted] ordi[redacted] (48.89 per cent).

DE MORGAN directors have noted the recent movement in the company's share price and are currently in discussions with leading shareholders and other institutions with a view to securing further long-term capital. The company is trading within the limits of its bank facilities.

IMI is to spend a further £10m in modernising its [redacted] Copper [redacted] in Kirkby, Merseyside. [redacted] machinery will improve production of [redacted] tube sizes [redacted] take advantage [redacted] growing European [redacted] tube in [redacted] systems.

LEX SERVICE [redacted] sold SMT Greenock, a [redacted] dealership with Rover, [redacted] and Leyland [redacted] franchises, for £700,000 cash, to [redacted] SMT [redacted] by Mr [redacted] sell Dunn. [redacted] part [redacted] Lex [redacted] to [redacted] its small [redacted]rships.

SKANDIA GROUP Insurance Company [redacted] to [redacted] a 33.3 per [redacted] in Map Securities, a recently-formed London stockbroker specialising in west European equities. The stake, as determined by Swedish insurance regulations, will comprise [redacted] mix of voting and non-voting shares.

TGI [redacted] conditional agreement [redacted] mans [redacted] The total proceeds from the disposal [redacted] £5m. TGI [redacted] also entered into a subscription agreement whereby it will [redacted] £1.8m in ARF.

WEMBLEY: United Dutch Group, [redacted] by United Dutch Holdings, has completed the acquisition [redacted] 16.04m ordinary [redacted] cent) and 3.11m [redacted] Wembley. Further options [redacted] it [redacted] in [redacted] .86m (22.[redacted] per cent) ordinary and 4.08m def[redacted] Wembley.

PUBLIC [redacted] LOAN BOARD RATES

Effective February 20

[redacted]	[redacted]	[redacted]	[redacted] at maturity	[redacted]	[redacted]	[redacted] at maturity
1			11¾			12½
Over 1 up to 2	11⅝	11½	11	12⅝	12½	11¾
Over 2 up to 3	11¼	11⅛	10¾	12¼	12⅛	11½
Over 3 up to 4	11	10⅞	10⅝	12	11⅞	11⅜
Over 4 up to 5	10¾	10¾	10⅝	11¾	11¾	11⅜
Over 5 up to 6	10¾	10⅝	10¾	11¼	11⅛	11¼
Over 6 up to 7	10⅝	10⅝	10¾	11⅛	11⅛	11¼
Over 7 up to 8	10⅝	10⅝	10⅞	11⅛	11⅛	11⅜
Over 8 up to 9	10⅝	10¾	11	11⅛	11¼	11½
Over 9 up to 10	10¾	10¾	[redacted]	11¼	11¼	11½
Over 10 up to 15	[redacted]⅞	11	10⅞	11⅜	11½	11⅜
Over 15 up to 25	11	10⅞	10¾	11½	11⅜	11¼
Over 25	10⅞	10¾	10¾	11⅜	11¼	11¼

*Non-quota loans B are 1 per cent higher in each [redacted] than non-quota loans A. †Equal instalments of principal. †† Repayment [redacted] half-yearly annuity (fixed equal half-yearly payments to include principal and interest). [redacted] With half-yearly payments [redacted] only.

UK COMPANY NEWS

Yorkshire Chemicals rises 12% despite strong pound

By Andrew Bolger

YORKSHIRE CHEMICALS, the d[illegible] tanning [illegible] and speciality chemicals manufacturer which exports more than [illegible] cent of its output, yesterday reported a 12 per cent rise in annual profits in spite of the strength of sterling in the second half.

Pre-tax profits in 1990 firmed from £9.6m to £10.79m on turnover of £81.6m (£70.02m).

Mr Phillip Lowe, chairman, said the group's mainstream products remained firm all [illegible]

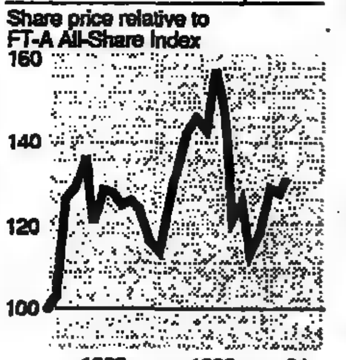
However, [illegible] appreciation of sterling, especially against [illegible] US and Australian dollars, curbed turnover and profit margins from May onwards.

The growth from 36.3p to 37.8p in earnings [illegible] restricted by an [illegible] in the [illegible] charge from 30 to [illegible] per cent.

Mr Lowe [illegible] "Although the immediate outlook [illegible] tain, the group is financially strong and continues to plan for profitable long-term [illegible] *sion. Acquisitions to* [illegible] *niche* technology or [illegible] penetration continue [illegible] be sought.

Yorkshire Chemicals

Share price relative to FT-A All-Share Index



Source: Datastream

"The present search is concentrated upon companies that specialise in leather finishing products, textile process chemicals and pigment dispersions complementary to the group's existing ranges."

Yorkshire plans to [illegible] during 1991-96, mainly [illegible] update and enlarge UK manufacturing operations – particularly [illegible] the speciality chemicals division, [illegible] old plant has [illegible] growth.

A final dividend [illegible] 9p makes a total for the year of 13.5p (12p), an increase of 12.5 per cent.

● **COMMENT**

These are very respectable results, considering the hammering Yorkshire has taken on currency movements. It reckoned *that the dollar's weak*ness could not continue and ran down its hedging last year. Getting that judgment wrong cost it £1.1m off the pre-tax figure and the group has minimal forward cover for the current year.

However, the underlying businesses continue to [illegible] profitably in their niche markets and the envisaged *capital* expenditure programme should reduce unit costs in the longer term.

A cautious forecast of full-year profits at £9.5m puts the shares, which closed down 10p at 363p, on a prospective multiple of just under 11.

Given the group's strong management record and nil gearing, [illegible] attractive play *for* [illegible] think [illegible] by [illegible] overdue.

Alan Harper

Michael Hepher, chairman of Lloyds Abbey Life, who is looking to expand its European operations into Italy and Spain to go alongside its thriving German business and Irish operation. At home, he reported better-than-expected pre-tax profits of £318.9m for 1990, with the estate agency business returning a reasonable £12.7m. Particularly pleasing was the continued expansion of sales of life and *general* insurance contracts to Lloyds Bank customers through the bank branch network, the main feature in life profits rising nearly 20 per cent to £264.8m in [illegible] dull trading year.

Restructure could raise WPP's interest bill by $5m

By Alice Rawsthorn

WPP, Mr Martin Sorrell's marketing services group, may face a $5m (£2.5m) increase in annual interest payments when its $1bn restructuring package is completed.

WPP is now approaching the final stages of discussions with its 30-strong banking syndicate, led by JP Morgan, to restructure its debt to avoid breaching its banking covenants later this year.

The banks are believed to be asking WPP for a "success fee" for completing the restructuring and also for an increase in interest. At present WPP pays interest at a margin of 1¼ percentage points above money market rates to its bigger banks – representing two thirds of its debt – and of 1⅜ percentage points to its smaller banks.

After the restructuring, the interest margin for all the banks is likely to increase to 2 percentage points. This would involve WPP paying additional interest of between $4m and $5m a year.

WPP, advised by Samuel Montagu, has yet to reach agreement with its banks on the form of the success fee or on the precise level of the increase in interest rates. It is expected that preliminary proposals for the restructuring will be produced in mid-March. The documentation for the deal will then take roughly two months to complete.

At present WPP's debt is composed of a $600m seven-year term loan and working capital facilities of $200m. As part of the restructuring it hopes to convert about $100m of additional uncommitted facilities – mainly short term overdrafts of operating companies – into committed facilities.

In addition WPP is negotiating with its banks to renew just under $100m of media guarantees for J Walter Thompson and Ogilvy & Mather, its international advertising agencies.

The package is also expected to involve reducing covenanted interest cover for 1991 and 1992. At present the minimum covenanted cover is 2.8 times for this year and 3.2 times for 1992.

On the basis of current profit predictions for WPP – Warburg Securities recently reduced its 1991 forecast from £77m to £44.6m – the group is likely to ask for minimum covenanted cover of about 2 times for this year.

Maxwell plans to revamp MGN board for flotation

By Maggie Urry

MR ROBERT MAXWELL, who is planning the flotation of Mirror Group Newspapers, his private newspaper business, is aiming to recruit a number of independent-minded non-executive directors to its board to avoid the perception that he would exert too much influence on the company.

He plans to keep a majority of the MGN shares when it is floated, before the end of June.

Meanwhile, Maxwell Communication Corporation, Mr Maxwell's publicly-quoted publishing company, yesterday had its US debt assigned a "speculative grade" rating by Moody's, the New York-based credit rating agency.

Analysts believe that the low rating the stock market puts on MCC's shares is in part due to the large stake owned by him, his family and the Maxwell Foundation. This holding has risen to over 70 per cent recently. Mr Maxwell said yesterday that the company had not become a close company as a result.

MCC shares are on a historic yield of 13.3 per cent, while bankers and brokers working on the MGN issue are believed to hope for a yield of 8 per cent. A dividend forecast will be contained in the prospectus [illegible]

MGN, which includes [illegible] Daily Mirror, Sunday Mirror, [illegible] People [illegible] Daily Record and Sunday Mail, of Scotland, has yet to decide whether to issue [illegible] profit forecast in the prospectus. Results for 1990 have yet to be published but a pre-tax profit figure of about £80m is expected.

Mr Maxwell acquired MGN in 1984 from Reed International, the publishing company, for £113.4m. Estimates of the value the market will put on MGN have reached as much as £1bn. But analysts believe this is far too high.

Moody's yesterday assigned ratings to MCC's debt for the first time. The ratings set were Not Prime for short-term debt, Single-B2 for senior *long-term* debt, and Single-B3 for subordinated long-term debt.

In December, IBCA, the London-based rating agency, downgraded MCC's senior debt, indicating "a possibility of investment risk developing".

● MCC gave further details yesterday about the departure of Mr Richard Baker, the group's *deputy* managing director. His early retirement to "pursue his private activities" was announced late on Tuesday.

Mr Baker will not receive any compensation beyond the 12 months salary *he* is entitled to under his contract, thought [illegible] less [illegible]

Analys[illegible] noted yesterday that *Mr Baker was the third* MCC director to resign in the [illegible] months.

Touchstone recommends Stratagem offer

By Andrew Bolger

Touchstone Group, the computer services company, yesterday recommended its shareholders [illegible] accept a £6.7m offer from Stratagem Group after [illegible] investment company had [illegible] its offer for Touchstone loan [illegible]

The [illegible] raised [illegible] offer from [illegible] ordinary Stratagem [illegible] for [illegible] nominal of Touchstone [illegible] stock, with [illegible] cash alternative.

Stratagem [illegible] also [illegible] ing [illegible] ordinary shares for every [illegible] Touchstone [illegible]

Stratagem [illegible] now owned or had acceptances representing [illegible] per [illegible] of [illegible] ordinary [illegible] and [illegible] per cent of Touchstone's loan [illegible]

[illegible] closed [illegible] unchanged on the day, as were Stratagem [illegible] at 154p.

Stratagem said [illegible] increased [illegible] conditional only on listing being granted [illegible] its new ordinary shares, in which [illegible] were [illegible] to commence today.

Provident Financial shows 14% expansion to £36.2m

By David Barchard

PROVIDENT FINANCIAL, [illegible] consumer finance group, made pre-tax profits [illegible] £36.2m [illegible] December 31 [illegible] up more than 14 per cent on [illegible] previous year's £31.7m. Turnover rose 11 per [illegible] to £317.6m.

Mr [illegible] Hogg, chief executive, [illegible] company had made good progress [illegible] spite [illegible] sharp [illegible] nomic [illegible] and [illegible] been [illegible] to make any changes [illegible] provisioning policies.

During [illegible] year Provident Financial [illegible] subsidiary, Peoples Motor Finance, by merging Burns-Anderson Finance, [illegible] it acquired in 1990, with Lynn Regis Finance, its [illegible] hire purchase company.

Profits in the core consumer credit business rose by £3m [illegible] £32.7m, [illegible] insurance profits were [illegible] to £6.9m [illegible]

Non-core activities made [illegible] profit of £700,000 (£900,000 loss). During the year, the group sold [illegible] subsidiaries, PMSL Computer Services, [illegible] Mentor Interactive Trading, and disposed of its stake in Invergordon Distillers.

Earnings per [illegible] were 48.06p (42.76p) and a final dividend of 15.5p [illegible] recommended, bringing the total for the year to 23.5p (20.5p).

The shares rose sharply during the day to close [illegible] 449p, up 24p.

● **COMMENT**

Yet again Provident Financial has shown an *ability* to grow steadily at a time when larger lenders are being buffeted by [illegible] conditions. Part [illegible] the [illegible] no [illegible] people [illegible] live [illegible] council houses, [illegible] Provi[illegible] do, [illegible] sheltered from [illegible] sting [illegible] higher mortgage [illegible] payments. The withdrawal from [illegible] *areas outside those directly* [illegible] finance [illegible] evidently working well. Equally impressive is [illegible] fall in central costs from £6.4m in 1989 to £4.1m. On the downside, Provident's customer base will almost certainly be hit by higher level of unemployment during the coming year and the motor insurance [illegible] is likely to remain [illegible] tough in [illegible] Slightly slower profits growth [illegible] to be expected. But [illegible] days this hardly [illegible] bad news.

Government pressed to extend brewers' deadline

By Philip Rawstorne

MR PETER LILLEY, [illegible] industry secretary, [illegible] being pressed to extend the [illegible] *of November 1992*, by [illegible] national brewers [illegible] give [illegible] their rights [illegible] exclusive suppliers [illegible] nearly 11,000 [illegible] their pubs.

[illegible] orders, following [illegible] Monopolies and Mergers Commission's 1989 report on the industry, require the brewers to sell or lease half their pubs in excess of 2,000 to free them from the tie.

The slide in the property market has already reduced pub prices by 15-20 per cent over the past year and brewers fear values could fall further if they are forced to put more pubs up for sale within the next 20 months.

Bass, which is to announce sales of some of its pubs today, has to free about 2,680 from the tie. Allied-Lyons has to release 2,250, [illegible] Whitbread, [illegible]

If the Grand Metropolitan breweries-for-pubs swap [illegible] Courage goes ahead as expected, another 3,600 pubs will be [illegible] or [illegible] from their estates.

Further difficulties are arising over the negotiation [illegible] leases for many of the pubs to be freed.

[illegible] to change the [illegible] of some leases unless agreement is reached with [illegible] by July next year.

To protect themselves, brewers *say they may be forced to* issue notices to quit on tenants who have not agreed to new terms within the next three [illegible]

[illegible] have [illegible] lobbying MPs [illegible] for some [illegible] of the 1992 deadline so as to ease their difficulties.

A DTI official said yesterday: "There are no plans to amend the regulations." But she added that ministers were in regular contact with all sides of the industry.

SE probe [illegible] Channel Tunnel

By Clare Pearson

Channel Tunnel Investments, the small investment company, yesterday asked the insider dealing group of the Stock Exchange to make investigations after its share price more than doubled over the past week.

Yesterday the shares, which stood [illegible] about 25p more than a week ago, closed up [illegible] at 53p.

The company said [illegible] noted the development, for [illegible] it knew of no reason, with "astonishment".

It had asked the exchange to conduct a full investigation into the background to and basis for the rise.

DIVIDENDS ANNOUNCED

	Current payment	Date [illegible]	Corres - ponding [illegible]	Total for [illegible]	Total last year
Armitage Bros ....int	2.5	-	2.4	-	5.2
Community Hosp ......int	2.2	May 10	1.9	-	5.2
Fairbriar ....[illegible]	nil	-	1.25	-	1.25
Fleming High Inc.......int	1.45♠	Apr 2	1.3	-	5.25
Gartmore Pacific.......fin	[illegible]	Apr 10	-	0.1	-
Lloyds Abbey ....fin	11	May 7	11	17	17
Provident Fincl ....fin	15.5	Apr 26	13.5	23.5	20.5
St David's Inv ....int	4.7	Mar 28	4.4	-	13.2
Yorks Chemicals ....fin	9	Apr 11	8.5	13.5	12

[illegible] per [illegible] net except [illegible] stated. *Equival[illegible] after allowing for scrip [illegible] †On [illegible] increased [illegible] rights [illegible] acquisition issues. §USM stock. ♠Third interim

NEWS DIGEST

Herrburger Brooks hits flat note

HERRBURGER [illegible] the piano actions and furniture group, hit a discordant note at its interim stage.

The Nottingham-based company announced taxable profits of [illegible] for [illegible] six months [illegible] November 30 – against losses of £53,658 last time – but this masked a trading deficit [illegible] (profit [illegible] £54,125) before foreign exchange gains of £252,880 (£4,071). Interest payable fell to £93,210 (£110,854).

Mr Anthony Habig, chairman, described the results as "disappointing" and offered scant comfort for future trading: "The worldwide downturn in the piano industry, coupled with the strength of sterling is making it increasingly difficult to sell competitively and profitably overseas, which threatens 85 per cent of the piano division's business."

To compound the group's problems, one of its largest customers, based in Europe, has recently gone into receivership and this led to 73 employees being made redundant last week. "The emphasis . . . is for tight controls with maximum effort being made to reduce costs" he said.

However, a brighter note *was provided by the furniture* activities which, according to Mr Habig, were building up a good reputation with further growth anticipated.

Turnover expanded slightly from £3.48m to £3.62m. Earnings per share emerged at 5.19p (losses of 3.02p).

Cost cuts help raise Armitage Bros 15%

Interim profits [illegible] Armitage Brothers, the pet products and accessories manufacturer, have benefited from a more profitable mix of products sold and a continuing [illegible] programme.

In the 28 weeks to December 15 1990, sales improved just 2 per cent to £12.73m (£12.47m) but pre-tax profit increased 15 per cent to £579,000 (£503,000). Interest costs were lower at £228,000 (£265,000).

Mr Russell Taylor, [illegible] executive, said no significant lift in sales was expected for the rest of the year, but benefits should continue from cost reductions. New business was being gained in the UK and overseas, in spite of tough trading conditions.

Earnings per share expanded to 9.1p (8p) and the interim dividend is 2.5p (2.4p).

Initial payment at Gartmore Pacific

[illegible] Emerging [illegible] Investment Trust is paying a dividend of 0.1p for its first full accounting period – November 3 1989 to December 31 1990.

Gross revenue amounted to £851,000 and earnings per share came through at 0.19p.

At December 31 net asset value was 44.9p, a marginal increase on the 44.1p reported at September 30.

Fairline Boats to shed 70 jobs

Fairline Boats, [illegible] Peterborough-based boat builder, has *announced some 70 redundan*cies at its production plants [illegible] Oundle and Weldon, Northants. Fairline currently has more than 500 employees.

Mr Sam Newington, chairman, said [illegible] trading to date had been satisfactory but given the current uncertainty regarding the recession in the UK and the conflict in the Middle East the company felt it prudent to take action.

Sam Newington: chairman

St David's Investment Trust

St David's Investment [illegible] raised [illegible] per income share to 103.54p at January 31 1991, against 102.18p a year earlier, but the figure per capital share fell from 166.86p to 113.8p.

Net [illegible] increased from £242,000 to £281,000, after tax of £106,000 (£85,000). Earnings per share increased from 5.9p to 6.85p and the interim dividend [illegible] lifted to 4.7p (4.4p).

Pirin takes over Courtney contracts

Courtney Pope (Holdings), the shop-fitting and engineering company which has put six subsidiaries into receivership, is selling the contracts of three other businesses for an undisclosed amount to Pirin, [illegible] pri[illegible]

[illegible] being taken [illegible] by Pirin, a building and shop-fitting contractor, was being carried out by Courtney's Fred[illegible] and Brent Architectural Metalwork subsidiaries. Th[illegible] linked via inter-company loans to Quickwood, [illegible] shop-fitting company [illegible] from Touche [illegible] appointed [illegible] week.

Courtney [illegible] negotiations with Pirin had been going on [illegible] and were [illegible] being concluded by the receivers at Quickwood.

Fleming High Inc falls 9% to £1.44m

The pre-tax result at Fleming High Income Investment Trust fell 9 per cent, from £1.58m to £1.44m, in the *nine months to* January 31.

The trust [illegible] that last year's figure had [illegible] from a substantial amount earned from funds held on deposit.

Net [illegible] came [illegible] 82.1p, against 96.9p at the end of the comparable nine months.

An *increased* third interim dividend of 1.45p (1.3p) makes 4.3p so far this year, on line to meet the year's target of 5.75p, an increase of 9.5 per cent. Earnings per share came out at [illegible] (4.69p).

Doctus in row over severance payments

Directors and senior managers at a company bought last year by Doctus, the management, personnel and marketing consultancy, [illegible] threatening [illegible] payments.

Two directors [illegible] three senior managers made redundant from Buckingham House, acquired by Doctus last March, claim the total amount that should be paid to them is roughly £170,000, but that Doctus has offered substantially less. They planned to try to raise the matter at the group's annual meeting in London today.

They said the two directors had contracts entitling them to 12 months' notice, while *two of* the managers had six-month entitlements, in addition to redundancy pay. An offer to settle for less had been turned down by Doctus.

There is a separate dispute over deferred payments for the company, which [illegible] management development programmes. Most [illegible] the 15 employees *have lost their jobs* in what Doctus described as a restructuring exercise.

Doctus said the issue was complicated because the employees were former shareholders in Buckingham. The matter was still under negotiation and would be discussed at a board meeting on Friday. "A lot of litigation" was expected.

The group increased *pre-tax* profit by 35 per cent to £11.4m in the year to end-September, although earnings per share rose less rapidly to 18.07p (16.03p). Net debt of £25m compared with shareholders' funds of £13.2m.

TECHNOLOGY

Amdahl sets off [redacted] Sparc

AMDAHL, the US computer manufacturer partly owned by Fujitsu [redacted] Japan, has announced that it intends to [redacted] computer systems [redacted] upon a family of high-performance microprocessors developed by Sun Microsystems.

The microprocessor family, known as Sparc, is [redacted] a design known [redacted] reduced instruction set (Risc) which [redacted] off simplicity of architecture against complex operating [redacted].

For Amdahl, which pioneered "plug compatible manufacturing" – developing computers functionally identical to [redacted] made by International [redacted] Machines – building [redacted] [redacted] a Risc chip will be [redacted] big departure.

The move [redacted], however, be [redacted] [redacted] moves being [redacted] by Fujitsu [redacted] develop [redacted] strategy to compete in the "new" computing world of open systems [redacted] standard microprocessors. It has already formed a top-level strategy group involving both [redacted] [redacted] its [redacted] subsidiary International Computers (ICL).

ICL [redacted] powerful workstations (network servers) based [redacted] Sparc chips which Fujitsu intends [redacted] market in Japan. Fujitsu Microelectronics, [redacted] US [redacted] iary of Fujitsu, [redacted] Sparc chips under licence.

Amdahl refused to comment on the types of computer the company intends [redacted] build using Sparc microprocessors. It [redacted] denied [redacted] had been co-ordination between Amdahl and ICL over Sparc products.

Amdahl, 43 per cent owned by Fujitsu, is increasingly giving attention to "open systems", although the company's primary focus [redacted] the IBM-compatible mainframe computer market.

"[redacted] impressed with [redacted] [redacted] and [redacted] of the Sparc technology," [redacted] Joseph Francesconi, Amdahl senior vice president of open systems. "To complement our broad line of products based on the System/390 architecture, we are interested in technologies like Risc as a means of providing effective solutions [redacted] customers' data processing needs."

Louise Kehoe
Alan Cane

David Fishlock argues the case for and against privatisation of the British Technology Group

The bird yearns to leave the nest

The British Technology Group Bill, which began its passage through parliament this month, aims to turn BTG, the government's agency for backing inventors, into [redacted] ernment-owned plc [redacted] first step towards privatisation in the autumn. [redacted] and scientists have pointed [redacted] risks that [redacted] buyer might strip BTG's assets [redacted] quickly abandon an [redacted] built up over [redacted] years.

BTG is [redacted] small, high-technology company that is probably [redacted] big as it can get in Britain, but [redacted] excellent prospects [redacted] growth [redacted]. [redacted] deals in the [redacted] technology transfer; that is, in intellectual property such [redacted] patents and "know-how". Inventions and scientific ideas [redacted] profitably into [redacted] products [redacted].

In these [redacted] Britain [redacted] had [redacted] remarkable suc[redacted] such as Pilkington's float glass, and many [redacted] sive state-funded failures including airliners, machine [redacted] nuclear [redacted].

An example [redacted] brilliant British invention [redacted] magnetic [redacted] imaging, a medical scanning technology that is expected [redacted] be BTG's biggest single [redacted] income this year. Yet no [redacted] manufacturer is using the patents. BTG's income [redacted] generated from royalties on a portfolio [redacted] about [redacted] university patents, prised [redacted] skill [redacted] persistence [redacted] companies as [redacted] Electric, Toshiba [redacted].

BTG has spent more than [redacted] years learning the pitfalls of intellectual property, [redacted] idiosyncrasies of people with bright ideas. It has learned, for example, [redacted] way to make enemies is to refuse to give inventors public [redacted].

Unfortunately for [redacted] public relations, [redacted] are [redacted] [redacted] saying no [redacted] writing a cheque. [redacted] idea [redacted] work, [redacted] may be judged not so bright commercially. The [redacted] demanding, unco-operative, lacking in commercial [redacted]. [redacted] well [redacted] skill [redacted] experience [redacted] evaluate an idea and its sponsor properly, and to decide what is a reasonable sum to [redacted]ble. For gambling it invariably is.

As the National Research Development Corporation, BTG [redacted] born in 1948, with the political goal of [redacted] British [redacted] from being exploited overseas, as was thought [redacted] happened [redacted] penicillin. (The war-time government [redacted] penicillin's inventors to the US specifically [redacted] companies willing to [redacted] development [redacted] industry was unable to do.)

[redacted] BTG [redacted] up considerable legal [redacted] technical [redacted] in securing intellectual property rights for its inventors. [redacted] then fell [redacted] of [redacted] new Thatcher government for allegedly failing [redacted] patent [redacted] invention [redacted] making mono[redacted] antibodies.

The evidence [redacted] the Medical Research [redacted] scientists involved [redacted] interested in [redacted] commercial opportunities and gave no help. But as punishment the government merged it with the [redacted] big[redacted] Enterprise Board, repository [redacted] industrial "lame ducks", [redacted] renamed it [redacted].

[redacted] Colin Barker became chairman in [redacted] with a brief from [redacted] Department of Trade and Industry to liquidate its lame ducks and beef up the business of technology transfer. He wooed [redacted] British scien[redacted], Ian Harvey, back from the [redacted] as his chief executive.

Of the former NEB, there is nothing left for sale, says Sir Colin. He is trading very profitably for [redacted] team of less than [redacted], but that is because BTG is more than simply [redacted] technology brokerage. It is an organisation with exceptional in-house [redacted] handling intellectual property. As Harvey puts [redacted] "We [redacted] tremendous amount of value – and then [redacted] it." He claims it is the world's leading organisation devoted to technology [redacted] [redacted] BTG earned [redacted] – 70 per cent from [redacted] – [redacted] a pre-tax profit of [redacted].

[redacted] objective which BTG's management council has been working towards for several years. DTI [redacted] claim [redacted] week's parliamentary debate [redacted] public – or even inventor – interest, which [redacted] account for [redacted] sudden concern [redacted] asset-stripping.

Price Waterhouse, [redacted] financial advisers [redacted] DTI on the sale, is about [redacted] submit [redacted] report [redacted] should clear up [redacted] concerns, [redacted] indicate [redacted] might buy its shares. He believes BTG is too specialised a business [redacted] of the kind used [redacted] the electricity companies.

What [redacted] make no sense whatever [redacted] management [redacted] a break-up, [redacted] says. For example, [redacted] parts of [redacted] depend [redacted] large [redacted] of [redacted] 30 legal [redacted] patenting experts who service all [redacted] technical activities. [redacted] council [redacted] three overriding [redacted] – that [redacted] shall [redacted] reputation for impartiality, integrity [redacted] independence; what [redacted] calls "the three Is". Independence implies that [redacted] single company should gain control [redacted] broad-spectrum [redacted].

Sir Colin, [redacted] consequence, puts a conservative value [redacted] BTG, only £35m-£45m. This [redacted] reserves [redacted] about [redacted] its own building [redacted] the Elephant [redacted] Castle worth £8m or more. But his figure assumes there will be restrictions imposed by government [redacted] the "three Is".

An unrestricted [redacted] could [redacted] much more. Japanese industry – which has first-hand knowledge of BTG's [redacted], [redacted] least in negotiating royalties from its [redacted] groups – has [redacted] showing keen interest. [redacted] government has already had a recent experience of a highly technical activity fetching twice what it was forecast to make, when it [redacted] Breeding Institute [redacted] Unilever.

BTG's [redacted] in technology transfer is rooted in the size of [redacted] catchment area it [redacted] cultivating, [redacted] bigger than [redacted] world's biggest universities. Increasingly in [redacted] recognised [redacted] must exploit a global catchment. Britain does only [redacted] of [redacted] world's science. BTG [redacted] introducing British industry [redacted] other countries' [redacted] inventions – [redacted] part [redacted] its original brief. Last summer it [redacted] major [redacted] into [redacted] international [redacted] for intellectual property by setting up BTG Inc in Pennsylvania.

Assuming government, on [redacted] the Price Water[redacted] report, [redacted] it [redacted] a wide [redacted] options, ranging from [redacted] through [redacted] kind [redacted] foundation, [redacted] a management buyout on the management team's own [redacted].

[redacted] BTG's management [redacted] development in [redacted] public [redacted]. Even though [redacted] considerable [redacted] DTI, there [redacted] fact [redacted] for [redacted] people [redacted] organisations it [redacted] unambiguously [redacted] agent of government. The government imposes financial constraints. [redacted] acquire [redacted] than 25 per cent [redacted] the equity in [redacted] spend [redacted] £250,000 without special dispen[redacted] government. [redacted] grow, [redacted] freed, [redacted] Colin believes.

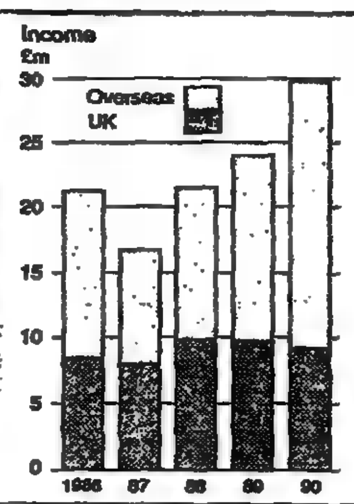
The alternative [redacted] role [redacted] narrowly, [redacted] working primarily – [redacted] wholly – [redacted] inventors, as [redacted] Development Corporation [redacted] originally conceived. But the monopoly [redacted] granted by government [redacted] of [redacted] and govern[redacted] in [redacted].

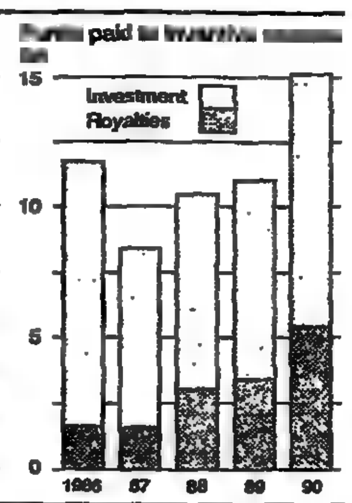
[redacted] three-quar[redacted] British universities [redacted] given permission [redacted] market [redacted] property. Research agencies [redacted] as the [redacted] Research Council [redacted] operate independently. [redacted] compete also with [redacted] private-sector technology transfer agencies such [redacted] for [redacted] attention of Britain's scientists.

In short, the game has changed completely. But [redacted] that of all the [redacted] of new technology [redacted] activities which have [redacted] up in Britain in the [redacted] few years, it is [redacted] only one [redacted] to compete on [redacted] global front.

BTG

Sir Colin [redacted] BTG [redacted]





A desert guide to steer troops clear

By Della Bradshaw

Every [redacted] land offensive since the Second World War has relied on men who could read [redacted] [redacted] help [redacted] troops determine their position. But if the allied forces mount [redacted] ground [redacted] from the Saudi Arabian [redacted] they will [redacted] sophisticated electronic equipment [redacted] replace the [redacted].

A network [redacted] American-made [redacted] will enable sol[redacted] on [redacted] ground to calcu[redacted] their position with pinpoint accuracy. This global positioning system [redacted] has [redacted] "the [redacted] stars", [redacted] David Deal, military programme [redacted] at Magellan Systems, of Monrovia, California, [redacted] of the suppliers of these [redacted] "compasses".

[redacted] conflict [redacted] 2,000 units – [redacted] about the [redacted] of [redacted] organiser – [redacted] the US Army and Marine Corps, 600 [redacted] UK Ministry of Defence, 600 to [redacted] Saudi Arabian forces and [redacted] to [redacted] French Foreign Legion.

Neighbouring manufacturer Trimble Navigation, of Sunnyvale, [redacted] 3,000 units [redacted] US military with [redacted] 6,000 on order, as well some [redacted]. And [redacted] UK company [redacted] sold [redacted] 50 [redacted] on British Navy [redacted]. "I think [redacted] would be [redacted] every British [redacted] in [redacted] Gulf [redacted] a [redacted] star unit on it," says Clive de [redacted] Fuente, [redacted].

[redacted] government purchasing [redacted] the whole story. [redacted] companies report [redacted] individual [redacted] are phoning them from the Gulf with [redacted] credit cards, [redacted] have their [redacted] reports [redacted] even [redacted] of [redacted] units [redacted] concerned mother who [redacted] equipment on to her son in the Gulf.

[redacted] advantages [redacted] the GPS units [redacted] several. The Saudi desert [redacted] recognisable landmarks, making map-read[redacted] difficult, particularly [redacted] night. Once [redacted] by [redacted] from groundfire, [redacted] wander into their [redacted] firing [redacted].

But even if [redacted] on the [redacted] is low, the hand-held or vehicle-mounted units can still send and [redacted] signals confirming the location of the soldier within 25 metres. Units, such [redacted] the Trimble Navigation one, update the location [redacted] second.

The units calculate their location using the nearest three out of [redacted] network [redacted] satellites which move above the [redacted] surface. Each [redacted] lite [redacted] synchronised [redacted] when the unit picks up the [redacted] signals [redacted] can calculate the soldier's [redacted] position.

The units could also be used for helping to target missiles more accurately. [redacted] soldier knows his own position, and can calculate how far [redacted] in what direction [redacted] potential target is situated, [redacted] can [redacted] *that information via radio* to an incoming fighter plane to assist in targeting missiles, thereby reducing hits on "friendly" targets.

Manufacturers of the GPS terminals, which include STC and Columbus Positioning [redacted] the UK, still believe the boom market for the units would be in [redacted] commercial [redacted]. They [redacted] proved particularly popular [redacted] sailors and [redacted] fleet managers for navigational purposes.

The commercial and the mil[redacted] units are [redacted] – but [redacted] military units [redacted] more rugged cases and [redacted] been [redacted] for both [redacted] hot and very cold conditions. Also, the military units have an individual [redacted] of [redacted] the co-ordinates, [redacted] Walter Melton, vice-president [redacted] Trimble's government systems division.

The [redacted] defence establishment [redacted] confident [redacted] the Iraqi army [redacted] not [redacted] capability today of turning US technology back on itself – by buying some GPS [redacted] and using them [redacted] target [redacted] the allied forces. [redacted] result it is able [redacted] use [redacted] commercial units.

But with [redacted] spread [redacted], the technology [redacted] now being developed [redacted] thwart military [redacted]. [redacted] small number of [redacted] has [redacted] manufactured which encrypts the signal [redacted] satellite and receiver. In time of conflict the GPS satellites would be configured [redacted] that the pinpoint positioning is only [redacted] to the élite machines. Commercial users would [redacted] signals allowing them accuracy of up to only 100 metres.

MANAGEMENT: Marketing and Advertising

Commercial radio hits a blue note

By David Churchill

A year ago, 61-year-old David Lee was riding high. As a jazz fanatic he had one of the most enviable jobs in [redacted] music director [redacted] the fledgling [redacted] FM London radio station, the first commercial [redacted] to be launched [redacted] the lucrative London [redacted] for almost two decades.

[redacted] earlier [redacted] week Lee [redacted] ousted by the board from his position, although he [redacted] major [redacted] and director [redacted] the radio [redacted] he helped found. The [redacted] part [redacted] changes being introduced into the station's programming [redacted] month in a bid [redacted] win a greater [redacted] of the market for listeners in [redacted] London area.

Almost a [redacted] launch, [redacted] FM has found itself in difficulties. Its share [redacted] London market has slipped badly to put its mixture [redacted] modern and traditional jazz, combined with a smattering of rhythm and blues, behind even the elitist classicism of Radio 3 and only marginally ahead of the BBC's Radio [redacted] station, [redacted] launched last year aimed at sports, schools and other listeners.

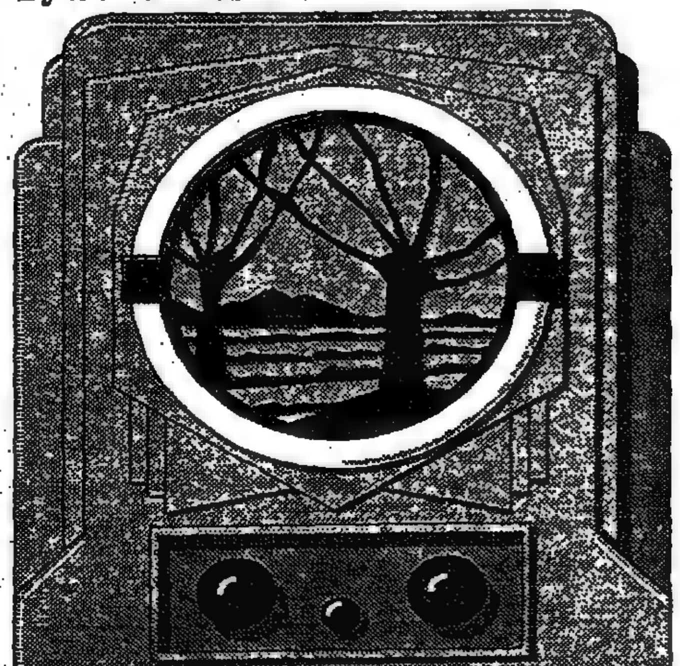
Audience ratings for the last quarter of 1990 gave Jazz FM only a 0.97 per cent share of [redacted] total listening hours among Londo[redacted]. Radio 3 had 1.75 per cent and Radio 5, 0.65 per cent.

Jazz FM – [redacted] of three commercial stations launched in London in the past year, along with Melody and Kiss FM – was initially seen as a potential front-runner for the non-pop national radio franchise to be awarded this year by the new Radio Authority which came into existence last month.

But last week the poor ratings and an estimated 20 per cent slump in radio advertising revenue as a result of the recession led to Jazz FM making 16 of its 40 staff redundant and announcing a "new look" from next month.

Its problems have raised doubts as to whether niche radio stations are commercially viable – just when the new Radio Authority is poised to franchise up to 30 more commercial stations a year throughout the UK over the next few years. London's commercial radio infrastructure, moreover, was widely regarded as the deregulation blueprint for the rest of the country in the 1990s. But will the planned revolution in listening habits prove stillborn?

Radio has for long been the



Cinderella advertising medium in the UK. Until 1973, when the London stations LBC and Capital [redacted] franchised, the only way UK [redacted] could reach radio audiences was through Radio Luxembourg or "pirate" stations such as Radio Caroline. Since then, however, the number [redacted] radio [redacted] has mushroomed: to 49 in 1985 and 78 by last year.

Yet radio's share of the national advertising "cake" has remained virtually static at between 2 and 3 per cent for the past decade and in 1989, the last year for which figures are a[redacted], it totalled £142m. But this is small-scale in comparison with other media; for every pound spent on radio commercials, for example, [redacted] than £20 is spent [redacted] press advertising.

Advertisers remain sceptical about radio's ability to deliver the sort of listeners they want in comparison with the highly-researched and targeted audiences offered by television and the press. Inevitably, the best creative talents in agencies are rarely used on radio campaigns, thus reinforcing the image of [redacted] as a "second-rate" medium.

Yet [redacted] wave [redacted] commercial [redacted] typified by [redacted] in the London area believe that such a view [redacted]. "We [redacted] the [redacted] of target audiences they [redacted] easily reach," [redacted] John Bradford, [redacted] chief executive. Jazz FM's target [redacted] male lis[redacted] in socio-economic grouping AB (professional and executive), with an average age of [redacted].

Its rivals have their own niches. Melody, [redacted] July [redacted] by Hanson, [redacted] the "more [redacted] and discerning [redacted] 35", according to [redacted] manager Sheila Porritt. Kiss FM, [redacted] a "pirate" operator in the early 1980s, was legalised last year and is targeted at the 15 to 24 youth market. Its backers include Richard Branson and publishing group Emap.

Both new stations have done well in the ratings war; Melody has a 5.1 per cent market share and Kiss 2.7 per cent.

But the target they all have to beat is the long-established Capital Radio which, after a shaky start in the 1970s, benefited from the buoyant economy of the 1980s and little competition. Since splitting its frequencies in 1988 it has maintained its stranglehold on listeners: Capital FM (the pop station) is the top station in London with a 15.1 per cent share (ahead of Radio 2 with 13.3 per cent), and Capital Gold (which plays hits of the 1950s and 1960s) has 10.1 per cent.

While Capital gained from its frequency split, LBC – the all-news station founded at the same time – has lost listeners after doing the same, in spite of bringing in such heavyweight presenters as Angela Rippon and Michael Parkinson.

The problem that the plethora of new stations is bringing to advertisers is that the extra choice is making listeners more fickle. After decades when the BBC dominated the airwaves with its broadly-based segmented markets, the emergence of niche players is providing listeners with the opportunity to switch stations according to mood.

"We welcome this new flexibility," says Melody's Porritt. "We expect listeners to tune in and out – especially with the pre-set stations on many car radios – and build this into our programming."

Jazz FM's re-launch next month, however, is aimed at reaching and retaining the jazz fan at different times of the day. "We want to be a bit more predictable in our sound when they tune in," says Bradford.

But the immediate problem for the commercial stations is simple survival in the recession. Much of their advertising revenue has come in the past from the retail and motor sectors – two of the hardest hit industries in the recession. Dominic Proctor, media director for the J Walter Thompson advertising agency, believes that "a lot of the new stations underestimated the difficulties". He queries whether there will be sufficient advertising revenue to go round.

Yet niche players have survived for years in New York, where there are over 80 stations catering for every taste. The US, moreover, also shows that listeners seem able to take a lot more choice; Americans have one station for every 25,000 people, compared with one for every 500,000 Britons.

[redacted] Zagor explains how Mattel is exploiting the doll's exposure by forming retailing links with manufacturers of full-size clothing

Barbie picks her accessories

Judging by [redacted] dearth of entirely new products [redacted] last week's all-important annual [redacted] York Toy Fair, when the new toys for the year were unveiled, the toy industry is abiding by its new tenet that it is better to add gimmicks to old, reliable products than to invest heavily in something which may not sell.

After years of erratic profits, the big toy companies seem to have found a recipe for stability by "refreshing" their old lines.

This year Mattel, which makes the Barbie fashion doll, has added a new twist by joining forces with Benetton and Reebok, the [redacted] time the toy maker has linked up with national apparel makers. The [redacted] All-American [redacted] Reebok high-top sports shoes, and there is also a Benetton Barbie, whose outfits can be found (life-size) in Benetton clothing stores.

One industry analyst [redacted] the links [redacted] ton and [redacted] as "nice wholesome [redacted]". Although the lines are not expected to generate dramatic profits for any of the companies, they will increase market exposure for all concerned. And exposure is crucial for survival in the competitive world of toys, where companies are fighting over static sales of about $13bn.

Toy-makers are well aware that children are capable of playing without the help of their products. Consequently advertising [redacted] promotion play [redacted] role [redacted] the toy business than in almost any other industry. According to Gary Jacobson, an analyst at Kidder Peabody, most toy companies spend between 13 and 17 per cent of their revenues on advertising and promotion.

Mattel claims that Barbie is the most highly promoted and advertised toy in history, supported by a "multi-million dollar campaign encompassing extensive advertising and aggressive cross-marketing tie-ins to causes and other products". The publicity seems to pay off. Barbie has had strong sales for 31 of her 32 years. In 1990, Barbie dolls and accessories brought in revenues of $700m.

Barbie: [redacted] by [redacted] and Reebok [redacted] dreaming of a [redacted]

[redacted] licensing [redacted] another relatively painless [redacted] exposure. This [redacted] Mattel is expanding [redacted] licensed prod[redacted] dresses, trousers, shorts, bedding, T-shirts and a [redacted] birthday party goodies.

[redacted] Friedman, vice president [redacted] products, says: "Mattel has achieved a stunning 95 per [redacted] penetration with Barbie among girls age [redacted] to 11 in the US. [redacted] a strong licensing programme [redacted] a [redacted] not only [redacted] strengthening the Barbie franchise [redacted] toys, but also [redacted] a way to build Barbie [redacted] billion-dollar business [redacted]."

Larry Carlat, editor [redacted] Toy [redacted] Hobby World magazine agrees that licensing the Barbie name could [redacted] extremely lucrative. "I can see little girls saying 'I want to go to the Barbie store' someday."

The Barbie line [redacted] at selling girls a dream, packaged in glitter and lace. The 1991 products include a fantasy wedding package where Barbie's best friend Midge marries [redacted] long-time boyfriend Alan. Mattel has discovered [redacted] little girls like to buy wedding [redacted] so this year Barbie, who is doomed to remain single for the rest [redacted] her shelf-life, indulges in a dream of her own wedding, complete with white gown.

Concern about the environment is one of the few major issues of the 1990s that the toy industry has deemed worthy of addressing this year. Playmates, the US toy company that gave the world Teenage Mutant Ninja Turtles, is launching its latest line with the legend: "Faster than a nuclear meltdown. Stronger than the Environmental Protection Agency. Able to blow away radioactive fall-out with a single breath."

Toxic Crusaders are led by Toxie, otherwise known as Melvin Junko – "98 pounds [redacted] solid nerd who fell into a bubbling [redacted] which transformed him into a hideously deformed [redacted] superhuman size and strength."

Toxie and his friends, including Nozone an acrobatic pilot deformed after he flew through a hole in the ozone layer and landed in a silo of [redacted] pepper, pit [redacted] strength against [redacted] Killemoff and the Radiation Rangers who are trying to lead the human [redacted] to [redacted] ruin. This motley [redacted] mutants will also [redacted] their own television [redacted].

More benign products include a stuffed globe "Hugg-A-Planet" by [redacted] Products, and a Captain Planet board game from University Games, with wooden dice and other recyclable components.

Whether catering to the pretty or the macabre, the one thing toy companies tend to shy away from is reality. Even [redacted] most grotesque products on the market are firmly rooted in fantasy. One has to [redacted] whether harsh reality will [redacted] be marketable enough to find [redacted] way into [redacted] world of toys. Barbie, after all, is approaching her 33rd [redacted], and her companion Ken, recently celebrated his 30th birthday. Perhaps the time will come when Barbie's [redacted]sories include eye cream and hair dye, Ken has a beer-gut and Midge gets a divorce.

COMMODITIES AND AGRICULTURE

Moscow to pump funds into oil sector

By Quentin Peel in [illegible]

THE SOVIET government has agreed [illegible] emergency measures to pump 25bn roubles of extra [illegible] into its ailing oil industry this year, [illegible] prevent [illegible] further collapse of production. At the same [illegible] special regulations have been approved allowing the oil workers of [illegible] Siberia, the country's [illegible] oil field, [illegible] keep extra hard currency earnings from oil exports [illegible] their living conditions.

The plan was approved [illegible] an extraordinary meeting of the new Cabinet of Ministers, chaired by [illegible] Gorbachev, in [illegible] dire warnings of falling output, strike [illegible] increasingly [illegible] equipment shortages in the country's [illegible] industry.

In an appeal to [illegible] president, [illegible] of the [illegible] industry in Tyumen, Western Siberia, warned last month [illegible] if production continues [illegible] fall [illegible] the present rate, the world's largest oil producer could become a net oil importer by the middle of the decade.

[illegible] fell [illegible] 37m tonnes, from 607m tonnes in [illegible] to 570m tonnes. Mr Yuri Shafranik, chairman of [illegible] Tyumen regional soviet, accused [illegible] central government of "criminal indifference" to [illegible] fate [illegible] industry, saying [illegible] would [illegible] further production [illegible] of between [illegible]

President Gorbachev: Chaired [illegible] committee that approved the plan

[illegible]

Details of the [illegible] package, which have yet to be published in Moscow, were revealed this week in an interview by Mr Vladimir Kuramin, deputy chairman of the Bureau for the Fuel and [illegible] Complex. He said [illegible] government had earmarked Rb25bn for 1991 alone, to finance emergency [illegible] re-equipment of the oil fields, and social measures to improve living [illegible] for the workers.

"Since [illegible] cabinet meeting, [illegible] government and prime minister himself [illegible] for the industry," Mr Kuramin [illegible]. "It [illegible] not cover [illegible] problem completely, but [illegible] major contribution".

At the same time the oil workers' demands [illegible] keep more of their foreign currency earnings have been answered with an agreement that the oil production associations [illegible] hold on to 70 per cent [illegible] the export earnings [illegible] any oil they produce above the level of state orders.

Both measures will inevitably restrict the resources available to other [illegible] and regions [illegible] country, and that is probably why they [illegible] not been published in detail.

The government has not met the industry's demands for [illegible] far higher producer price for oil. It has [illegible] from [illegible] of [illegible] Rb25 a tonne, [illegible] an average of Rb70 a tonne. However, Tyumen, [illegible] one of the lowest cost oil fields in the country, will get only Rb60, whereas high cost fields can get up to Rb[illegible].

Even [illegible], the new price is likely to be a huge burden on [illegible] central budget, as the government has decided it cannot afford to increase the retail price of [illegible] products, such as petrol, diesel and electricity, in the near term. That means the difference will have to be [illegible] up as [illegible] direct budget subsidy.

The 1991 [illegible] programme [illegible] targeted at reopening [illegible] that [illegible] been [illegible] because [illegible] poor [illegible] or lack [illegible] equipment. It will also [illegible] used to convert the oil equipment industry [illegible] producing more appropriate technology for the smaller oil wells that have to be brought into production to maintain total output.

A huge programme of repair, replacement and maintenance of [illegible] pipelines in Western Siberia [illegible] also needed, [illegible] thousands of kilometres of pipes in [illegible] critical condition. An [illegible] pipeline [illegible]dents occur in the oilfield [illegible] year, leaving vast areas of oil spills in the [illegible] marshes.

The Cabinet of Ministers [illegible] ordered the preparation of a long-term investment programme [illegible] the industry, to revive production in the period up to the year 2000. Details must be ready by the middle of the [illegible], and they will cover the question of designing new technical equipment, a programme of energy saving, a [illegible] developm[illegible] programme for the Tyumen region, and plans for reconstruction [illegible] refineries; [illegible] raise their efficiency.

Mr Kuramin said that [illegible] refineries managed to recover only between 60 and 65 per cent of each barrel of oil, compared with 85 to 90 per cent in [illegible]. "Economic calculations [illegible] at a [illegible] profitable to [illegible] these plants, instead [illegible] simply raising [illegible] production as we have done in the past," he said.

Volatility expected as NZ wool [illegible] resume

By Dai Hayward in Wellington

NEW ZEALAND wool exporters expect volatile prices when auction sales resume today, but also predict increased demand over the next few months.

The [illegible] Zealand Wool Board suspended auction sales last week and scrapped [illegible] price support scheme, under which it bought wool to maintain [illegible] floor price. This caused its stockpile to grow by 150,000 bales to 650,000 bales in the past seven months.

There have been predictions that removing the board's support will cause prices [illegible] drop 50 per cent to only NZ$2 (62p) a kilogram. Earlier this month the price was $4 a kilogram and 18 months [illegible] $6 [illegible] kilogram.

Exporters [illegible] will be a few weeks before the true market value of New Zealand wool is established – the first time this will have applied for 20 years.

Mr Michael Moss, president of the New Zealand Council of Wool Exporters says: "As price trends become more evident confidence will return among international customers. Many [illegible] rebuild their [illegible]. They are clearly now short of wool."

He expects [illegible] growing demand, particularly [illegible] western Europe, where the better quality [illegible] Zealand wools have been gaining market share from synthetics, against which they have a price advantage, and Mr Moss does not believe prices will fall substantially in value. "It is not in the interest of exporters or mills to see them fall substantially in value," he said.

However [illegible] of [illegible] poorer quality wools, such as the very short length [illegible] have trouble finding buyers. Although the market [illegible] not [illegible] these, farmers needing a [illegible] continued to pro[illegible] them knowing that any unsold wool would [illegible] bought by the board.

Mr Moss [illegible] the new situation gives exporters a [illegible] opportunity to market New [illegible] wool free from the [illegible]fluence of market intervention and price manipulation.

Meanwhile angry farmers in the [illegible] part of New Zealand who have yet to shear and send their wool to the auction sale are bitter [illegible] the wool board's [illegible] to suspend the [illegible] support [illegible]. At [illegible] meetings they have criticised the [illegible] for [illegible]ing policy in mid season. They have demanded that [illegible] record [illegible] all wool sold [illegible] auction be carefully kept [illegible] that they can receive the equivalent [illegible] the supplementary payment already paid to their northern colleagues, at some later date.

Aluminium stocks forecast to increase despite Gulf war

By Kenneth Gooding, Mining Correspondent

ALUMINIUM CONSUMPTION is being boosted by the Gulf war but not enough to compensate fully for the impact of the recession in many western markets, [illegible] the Economist Intelligence Unit in its latest World Commodity [illegible] publication.

The EIU presumes [illegible] substantial quantities [illegible] aluminium will be [illegible] replace ordnance and equipment used by the United Nations force in the Gulf. "Assuming that 1,000 tonnes of aluminium [illegible] day are consumed and that the war lasts nine months, [illegible] cumulative impact would be 300,000 tonnes of additional consumption.

"Even on [illegible] pessimistic assumptions, this would fall well short of the 800,000 tonnes [illegible] so by which producers' stocks could increase in 1991 as a result of the economic slowdown," says the EIU.

The unit has sharply lowered its aluminium price forecasts, saying that [illegible] developing surplus of supply will hold prices in the [illegible] of US$1,500-$1,600 [illegible] tonne compared with an [illegible] of $1,632 [illegible] year and $1,916 in 1989.

It says even prolonged military activity or disruption to Gulf aluminium smelters would not be enough to [illegible] more than a stabilisation of prices in the current range.

"By the [illegible]d of 1991 we expect smelter production to have been trimmed at some higher cost operations – perhaps even in Europe, where the highest-cost plants are now to be found," it adds.

Demand will pick up sharply in 1992 but this will coincide with the start-up of some new smelting capacity, so the recovery in prices may be weak, the EIU suggests.

● Oil prices this year are forecast by the EIU to average US$23 a barrel, well below last October's peak but higher than the current level, "which allows too little margin for things to go wrong."

"World Commodity Forecasts," £345 or US$465 for six copies a year from the EIU, 40 Duke Street, London W1A 1DW.

India faces iron ore dil[illegible]mma

By Kunal [illegible] in Calcutta

THE INDIAN ministries of commerce [illegible] have locked horns over the desirability of exporting iron ore, of which the country has plentiful reserves. The raging debate between the two ministries has caused much [illegible] to the government, which, because, of an [illegible] balance of payments crisis, cannot afford to restrict iron ore exports.

[illegible] hopes [illegible] more [illegible] R10bn [illegible] from [illegible] exports during [illegible] ending March [illegible].

Normally no objection would be raised to exports as domestic consumption of iron ore takes less than 20m tonnes out of annual production of about 50m tonnes. But the steel ministry's reservations about exports mainly relate to high ferrious content iron ore [illegible] mined at Bailadila in Madhya Pradesh. It contends that with the commissioning [illegible] Vizag [illegible] plant and [illegible] host of [illegible] iron units, [illegible] all [illegible] high [illegible] iron ore, [illegible] Bailadila [illegible] will not have much [illegible] export.

The [illegible] ministry, [illegible] championing the cause [illegible] value-added finished products would like the government [illegible] restrict [illegible] export of Bailadila ore. It is, however, not able to justify its stand with [illegible]. Production of iron ore from the Bailadila mines is expected to go up from 8.64m tonnes in 1990-91 to 12.42m tonnes in 1994-95, while the requirement of domestic [illegible]sumers for this particular [illegible] of ore in the same period is [illegible] to [illegible] from 1.7m [illegible] 6.9m [illegible]. Over the five [illegible], therefore, the exportable surplus [illegible] Bailadila ore [illegible] projected [illegible] decline from 8.94m tonnes to 5.52m tonnes.

The Japanese steel industry, which accounts for nearly 55 per cent of Indian iron ore exports, has served notice that unless it is given 6.5m tonnes of Bailadila ore a year in the next five years, it could very well [illegible] imports from India.

It may be difficult to find that much ore from Bailadila mines in [illegible] meeting the [illegible] requirement, but [illegible] Japanese demand could easily be met during the period 1991-92 [illegible] 1993-94.

Japan [illegible] willing to import a total [illegible] 15m [illegible] of ore [illegible] year over a five [illegible] period, including ore from the Redi mines, which have a high alumina (aluminium oxide) content and a low ferrous content. Finding an additional outlet for the inferior grade ore mined at Redi will prove to be a boon for India since exports to Rumania have become uncertain.

It will hurt India's interest [illegible], because of the differences of opinion over exports, the government agencies concerned with iron ore mining and export apply a brake on the development of port facilities and mining infrastructure. India will not be able to compete with Australia and Brazil in the European market till its harbours are made ready to accept ships of more than 250,000 tonnes. It is mainly because of higher freight costs that Indian iron ore is uncompetitive in the world market.

The steel ministry may go [illegible] protesting that the exportable iron [illegible] surplus [illegible] declining. The fact, however, [illegible] that in the [illegible] decade, [illegible]tic ore consumption [illegible] by only [illegible] tonnes to [illegible] tonnes, [illegible] current production [illegible] about [illegible] tonnes. India's recoverable iron ore reserves [illegible] estimated at 10.3bn tonnes.

Canadian claims dispute goes to court

By Robert Gibbens in [illegible]

A CLAIMS dispute that [illegible] -delays to [illegible] the rich Eskay [illegible] gold-silver property in north western British Columbia has gone to the province's Supreme Court.

On January 18 British Columbia's Chief [illegible] Commissioner reaffirmed ownership [illegible] the key Eskay claims by Stikine Resources, [illegible] indirectly owned by Corona Corporation, an [illegible] gold mining producer, and [illegible] per cent by [illegible] Dome, [illegible] largest gold producer.

[illegible] cover about 80 per cent of the [illegible] orebody, but have been [illegible] several times.

Tagu Resources, [illegible] private company, had challenged ownership by [illegible] group. [illegible] the commissioner's [illegible]sion, it had [illegible] days to file an appeal to [illegible] British Columbian Supreme [illegible].

This has now been done. The court must decide soon how it will treat the case procedurally. The delay in development will partly hinge on the time taken by the litigation.

The provincial minister [illegible] mines has refused [illegible] issue [illegible] mining lease required for development of Eskay until all claims disputes are settled. The Stikine group hoped to have it in production by 1993-94.

Alaska doubles mineral receipts

ALASKA PRODUCED [illegible] worth of minerals in [illegible], nearly double the [illegible] value [illegible] $277m, [illegible] government announced, reports [illegible] from Anchorage.

[illegible] from Cominco Alaska's [illegible] Dog Mine, which opened in late 1989, [illegible] Mr Richard Swainbank, mineral development specialist for the Alaska Department of Commerce.

The [illegible] Kotzebue, expected [illegible] world's top zinc producer, [illegible] being phased into full production, [illegible] "Almost always, in large mines, it takes [illegible] to tune [illegible] up."

Swainbank said he [illegible] the minerals growth [illegible] continue, although not at the [illegible]. "There will almost certainly [illegible] in production," Mr [illegible] said.

Expl[illegible] expenditures in 1990 in[illegible] to [illegible], up [illegible] per [illegible] from [illegible] in [illegible] said. About 80 [illegible] the [illegible] expenditures were directed toward gold exploration, they added. Mr Swainbank said there would probably be less spent on minerals exploration in [illegible] more on mine development as mine projects throughout the state became more advanced.

Philippines struggles to halt sharp slide in sugar exports

By Greg Hutchinson in Manila

THE PHILIPPINES has lowered production [illegible] for [illegible] in [illegible], apparently bringing precariously close [illegible] day [illegible] country will stop being an exporter.

Growing demand, declining areas planted [illegible] sugar-cane [illegible] a high population growth [illegible] each contributed to [illegible] reduction in the country's sugar production by [illegible] a third since [illegible] and [illegible] are a [illegible] what they were a decade ago.

The government of President [illegible] Aquino has set [illegible] trying to reverse the trend, boosting yields through research and credit support for inputs. It has abolished sugar marketing restrictions inherited from Ferdinand Marcos, the ex-dictator, allowing [illegible] to [illegible] mer[illegible].

But budgetary constraints and high [illegible] slowing progress, preventing the [illegible] Asian nation [illegible] people from making headway.

By [illegible] 2000, it [illegible] that [illegible] consumption – influenced by growing use of sugar and the high population growth [illegible] of [illegible] per cent a year – will rise from 1.55m tonnes currently to 2.3m tonnes. A rise in [illegible] production of nearly [illegible] per cent [illegible] year will [illegible] for the country merely [illegible] keep pace, according [illegible] Yulo, head [illegible] Philippine Sugar Regulatory Administration.

In the [illegible] crop year (September 1989-August 1990), the Philippines produced 1.75m [illegible] of sugar, up nearly [illegible] tonnes [illegible] previous year, which happens to be exactly what total [illegible] exports [illegible] the [illegible] amounted to in 1980.

A decade ago the Philippines [illegible] producing [illegible] 2.4 per cent [illegible] the [illegible] sugar, but [illegible] has now shrunk [illegible] about [illegible] per [illegible].

In the [illegible] crop year the country exported only 220,000 [illegible], worth $97m. The US [illegible] the bulk [illegible] the [illegible] crop under a yearly quota that dates [illegible] to America's colonial experience in the Philippines earlier [illegible] century.

Mr Yulo, meanwhile, has [illegible] domestic production in [illegible] current crop [illegible] will [illegible] 1.82m tonnes, [illegible] from a [illegible] target [illegible] before last November's severe typhoon in the [illegible] Philippines.

That typhoon, devastating [illegible] and the city of [illegible] name, [illegible] swept through neighbouring Negros [illegible] Panay, [illegible] country's major sugar producing [illegible]. Mr Yulo estimated [illegible] on the islands at about 10 per cent, representing sugar crop losses nationwide of [illegible] 6 per cent.

[illegible] demand estimated at 1.55m tonnes, it is [illegible] the country can only fill the US quota this year by using its standby stocks [illegible] 200,000 to [illegible] tonnes. Exports to [illegible] are expected to be nil or negligible.

Figures [illegible] the current [illegible] do not look [illegible]. Production [illegible] sugar since September 1 fell to 738,422 [illegible] from 870,487 [illegible] previously, according [illegible] the [illegible] Sugar Regulatory Administration figures.

WORLD COMMODITIES PRICES

MARKET REPORT

[illegible] edged [illegible] on the London bullion market [illegible] speculation [illegible] diplomatic efforts in [illegible] would result in a [illegible] drive prices [illegible] proved unfounded, resulting in dull [illegible] in a narrow range. On the LME copper closed lower. [illegible] factors continue to dominate [illegible] market which lacks fr[illegible] factors. The spread for [illegible] months [illegible] been particularly [illegible]. In Chicago soyabeans [illegible] falling [illegible] midday, under pressure [illegible] for rain in Brazil's growing [illegible]. Dry [illegible] in Brazil [illegible] underpinning the market but "concerns [illegible] the [illegible] pattern" [illegible] prices [illegible] slide, [illegible] broker. London [illegible] prices rallied [illegible] close after hitting buy [illegible] in [illegible] position. But dealers said [illegible] enough selling [illegible] prevent the [illegible] running away, [illegible] dealer said. [illegible] York orange juice prices were again sharply lower [illegible] midday as long liquidation continued [illegible] pressure prices after [illegible] snap in Florida [illegible] failed [illegible] result in significant crop damage, [illegible] said.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil [illegible]		+ or -
Dubai	[illegible]	+0.70
[illegible] Blend (dated)	[illegible]	[illegible]
[illegible] (April)	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium [illegible]	[illegible]	+3
Gas Oil	[illegible]	+27
Heavy Fuel Oil	$74-76	+1
Naphtha	$203-205	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	[illegible]	+2.10
Silver (per troy oz)♣	368.50c	
Platinum (per troy oz)	[illegible]	-1.85
[illegible] (per troy oz)	[illegible]	-1.00
Aluminium (free market)	$1510	+5
Copper (US Producer)	115⅜c	-½
[illegible] (US Producer)	35⅞c	
[illegible] (free [illegible]	407c	[illegible]
Tin (Kuala Lumpur market)	15.10r	+0.11
Tin [illegible] York)	[illegible]	
Zinc (US Prime [illegible]	[illegible]	
Cattle (live weight)†	109.22p	+0.82*
[illegible] weight)†	208.03p	+8.27*
[illegible] weight)†	[illegible]	+4.78*
London daily sugar (raw)	$218.0w	+4.6
London daily sugar (white)	$297.0w	+2.0
[illegible] export price	[illegible]	+2.5
[illegible] (English feed)	Unq.	
Maize (US No. [illegible]	[illegible]	
Wheat (US [illegible] Northern)	£94.5	
Rubber (Mar)♥	48.50p	
Rubber (Apr)♥	49.00p	
Rubber (KL RSS No 1 Mar)	226m	
[illegible] oil (Philippines)§	$335.0q	
Palm Oil (Malaysian)§	$345x	
[illegible] (Philippines)§	$227.5t	
Soyabeans (US)	£138.5	
Cotton "A" index	[illegible]	[illegible]
Wooltops (64s Super)	365p	

£ a tonne unless otherwise stated. p-pence/kg. [illegible] r-ringgit/kg. q-Mar/Apr. t-Apr. w-Feb/Mar [illegible] x-Mar. †Meat [illegible] age fatstock prices. * change from a week ago. [illegible] physical [illegible] §CIF [illegible] Bullion market [illegible] m-Malaysian [illegible]

SUGAR – London FOX

[illegible]	[illegible]	[illegible]	High/Low	
Mar	190.00	[illegible]	[illegible]	[illegible]
May	188.20	[illegible]	190.00	186.40
Aug	[illegible]	195.40	[illegible]	192.60
[illegible]	192.20	[illegible]	194.80	191.80
Mar	192.40	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	196.60	[illegible]
White	[illegible]	[illegible]	High/Low	
May	290.5	292.0	292.3	289.0
[illegible]	290.0	294.0	[illegible]	[illegible]
[illegible]	265.0	[illegible]	268.3	263.6
Mar	264.0	[illegible]	263.8	
[illegible]	267.0	270.5	268.0	265.8

Turnover: Raw 2040 (1864) lots of 50 tonnes. White 1105 (897) Paris- White (FFr per [illegible]: May 1[illegible], Aug 1490, Oct 1371.

CRUDE OIL – IPE $/barrel

	Latest	[illegible]	High/Low	
Apr	17.41	16.80	17.50	16.65
May	[illegible]	16.40	[illegible]	16.10
Jun	16.50	16.10	16.60	[illegible]
Jul	16.15	15.95	16.15	
Aug	15.90		15.90	
Sep	15[illegible]		15.92	
IPE Index	[illegible]	16.98		

Turnover [illegible]

GAS OIL – IPE $/tonne

	[illegible]	Previous	High/Low	
Mar	217.00	[illegible]	217.00	[illegible]
Apr	170.00	163.75	[illegible]	160.50
May	160.00	155.50	160.00	153.60
Jun	156.00	155.00	156.00	152.50
Jul	[illegible]	155.00	[illegible]	152.00
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	162.00	160.00	162.00	

Turnover [illegible] lots of [illegible]

INDICES

REUTERS (Base: September 18 [illegible] = [illegible])

Feb 20	Feb 19	mnth ago	yr ago
1653.4	[illegible]	1667.5	[illegible]

DOW JONES (Base: Dec. 31 [illegible] = 100)

	Feb [illegible]	Feb [illegible]	mnth ago	yr ago
Spot	[illegible]	-	[illegible]	[illegible]
Futures	[illegible]	-	[illegible]	132.31

COCOA – London FOX £/tonne

	[illegible]	[illegible]	High/Low	
[illegible]	[illegible]	616	617	611
May	654	657	[illegible]	649
Jul	680	686	682	[illegible]
[illegible]	705	[illegible]	708	703
[illegible]	739	746	738	
[illegible]	768	770	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

Turnover: [illegible] (2875) lots of 10 tonnes. ICCO [illegible] (SDRs per tonne). [illegible] price for Feb [illegible] average for Feb 20 [illegible]

COFFEE – London FOX £/tonne

	Close	[illegible]	High/Low	
Mar	[illegible]	538	547	533
May	[illegible]	550	550	545
Jul	[illegible]	577	570	558
[illegible]	[illegible]	597		
[illegible]	[illegible]	621		
Jan	617	608	610	605

Turnover: 6034 (13743) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Feb 19: Comp. daily 71.96 (72.00). [illegible] average 68.65 (68.63)

POTATOES – London FOX £/tonne

	[illegible]	[illegible]	High/Low
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover [illegible]

SOYABEAN – London FOX [illegible]

	[illegible]	Previous	High/Low
Apr	113.00	[illegible]	
Jun	112.00	[illegible]	
[illegible]	[illegible]	[illegible]	

Turnover [illegible] of 20 tonnes.

FREIGHT – London FOX $10/index point

	[illegible]	Previous	High/Low	
Feb	[illegible]	1640		
Mar	[illegible]	1567	[illegible]	
Apr	[illegible]	1495	1495	1445
Jul	1115	1120	1115	1110
Oct	1218	1195	1210	1205
Jan	1268		1270	
BFI	1654	1697		

Turnover [illegible] 316 (187)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	125.25	[illegible]	[illegible]	[illegible]
May	128.00	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	110.00	111.00	110.80
Barley	Close	Previous	High/Low	
Mar	116.60	116.80	[illegible]	115.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	106.00	105.70	

Turnover: Wheat 643 (313), Barley 293 (357). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	[illegible]	High/Low	
Mar	111.0	112.0	110.5	
Apr	118.5	[illegible]	118.5	
May	118.0	111.5	110.5	110.0
Jun	118.0	111.5	110.5	
Jul	106.5		108.0	

Turnover: 42 (60) lots of 3,250 kg

[illegible] – London FOX

	Close	Prev.	High	Low	
[illegible]	158.27	158.80			
[illegible]	[illegible]	[illegible]	158.20		50
Apr	156.40	[illegible]			66
May	156.00				60

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	[illegible]	[illegible]	[illegible] interest
Aluminium, 99.7% purity ($ per tonne)						Total [illegible] lots
Cash	1506-8	1503-4	1505	1505-6		
3 months	1535-7	1535-7	[illegible]	1537-8	1538-9	60,910 lots
Copper, Grade A (£ per tonne)						Total [illegible]
Cash	[illegible]	1285-90	[illegible]	1269-70		
3 months	[illegible]	1285-6				
Lead (£ per tonne)						Total [illegible] lots
Cash	301-2	300-0.5	302.5/2	301-2		
3 months	[illegible]	312-3	314/311	312.5-3	313-3	[illegible]
Nickel ($ per tonne)						Total [illegible]
Cash	8750-800	8550-600				
3 months	8650-75	8725-40	[illegible]	[illegible]	8650-60	[illegible]
Tin ($ per tonne)						Total [illegible] lots
Cash	5600-10	5640-5				
3 months	[illegible]	[illegible]	5760/5705	5735-40	5715-20	[illegible]
Zinc, Special High [illegible] ($ per tonne)						Total daily [illegible] 7,211 [illegible]
Cash	1180-2	1182-4	1181	1180-1		
3 months	[illegible]	1197-8	1191/1178	1183-4	1185-6	[illegible]

LME Closing £/$ rate: [illegible] 1.9215 [illegible] 1.9862

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	364.10-364.60	
Opening	364.00-364.40	
Morning fix	364.45	189.252
Afternoon fix	364.65	187.019
Day's high	365.10-365.60	
Day's low	[illegible]	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	[illegible]	6 months	5.12
2 months	[illegible]	12 months	5.04
3 months	5.24		

Silver fix	p/fine oz	US cts equiv
Spot	189.30	368.60
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	211.15	394.40

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	[illegible]	187.70-188.20
Maple leaf	376.00-377.00	192.60-193.60
New Sovereign	86.50-88.50	45.40-45.90

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1450	71	108	3	[illegible]
1550	11	33	43	[illegible]
1650	1	10	[illegible]	[illegible]
Copper (Grade A)	**Calls**		**Puts**	
[illegible]	117	122	10	68
[illegible]	48	72	42	106
2550	14	38	107	171
Coffee	Mar	May	Mar	May
450	49	57	0	82
500	3	21	7	18
550	0	2	54	50
Cocoa	Mar	May	Mar	May
600	68	64	0	10
650	18	32	4	26
700	0	14	34	60
Brent Crude	Apr	May	Apr	May
1700	85		60	
1800	[illegible]	60		
1900	80			

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	20.88	20.07	20.95	20.21
Apr	19.58	18.79	19.65	18.90
May	[illegible]	[illegible]	18.70	18.05
Jun	18.12	17.48	18.15	[illegible]
Jul	17.90	17.28	17.85	17.35
Aug	[illegible]	17.19	[illegible]	17.40
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	17.56	17.37

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	5320	5067	5240	[illegible]
Aug	5055	4920	5070	[illegible]
Nov	5360	[illegible]	5375	5385
Dec	5510	[illegible]	[illegible]	5425

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1161	[illegible]	1169	1150
May	1171	[illegible]	1193	1169
Jul	[illegible]	[illegible]	1222	1201
Sep	[illegible]	[illegible]	1244	1224
Dec	[illegible]	[illegible]	1246	1246
Mar	[illegible]	[illegible]	[illegible]	1270
May	[illegible]	[illegible]	[illegible]	1333
Jul	1352	[illegible]	1352	1360
Sep	1383	[illegible]		

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	93.05	90.40	[illegible]	[illegible]
May	[illegible]	[illegible]	95.00	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	98.80	[illegible]	[illegible]	[illegible]
Dec	101.90	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	107.35	107.15	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.63	8.72	8.80	8.55
May	[illegible]	8.52	8.55	8.37
Jul	[illegible]	8.47	[illegible]	[illegible]
Oct	8.34	8.40	[illegible]	[illegible]
Mar	8.46	8.64	[illegible]	[illegible]
May	8.56	8.77	8.56	[illegible]
Jul	8.88	8.77	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	85.06	86.65	86.65	84.75
May	84.99	84.90	86.50	85.00
Jul	84.10	85.23	85.60	83.85
Oct	86.05	86.66	86.35	87.75
Dec	86.80	86.60	[illegible]	86.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	112.60	115.05	115.20	[illegible]
Jul	114.25	115.25	115.75	[illegible]

WOOL

Until wool values are tested at free auctions in Australia all other markets are going to be very uncertain about prices for any product connected with wool. New Zealand is going ahead with an auction on February 21, it seems that growers will have no reason to put in their own reserves, since Australia is to supplement auction room prices until July, thus enhancing price uncertainty. Bradford prices are down tentatively by 5% to 10% but no-one is buying, except for immediate delivery.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	0	0
Mar	[illegible]	[illegible]	0	0
Apr	366.1	366.1	[illegible]	[illegible]
Jun	[illegible]	[illegible]	370.3	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	375.5	375.3	375.8
Dec	[illegible]	[illegible]	378.2	[illegible]
Feb	382.5	[illegible]	382.5	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	[illegible]	382.8	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	391.5	390.3	[illegible]	[illegible]
Jan	[illegible]	[illegible]	0	0
Apr	[illegible]	[illegible]	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	0	0
Mar	[illegible]	[illegible]	371.0	363.0
May	[illegible]	370.0	0	0
Jul	372.3	373.7	376.0	368.0
Sep	377.0	[illegible]	380.5	372.0
Dec	381.8	383.1	385.0	380.0
Jan	[illegible]	[illegible]	392.5	0
Mar	[illegible]	[illegible]	396.0	0
May	401.4	402.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	110.15	110.80	111.50	110.10
Mar	108.25	110.05	108.90	108.00
Apr	107.80	109.20	107.30	106.90
May	106.80	108.20	106.50	106.30
Jun	105.80	105.75	0	0
Jul	104.90	104.85	105.60	104.50
Aug	104.55	104.10	105.55	104.50
Sep	103.65	103.15	104.50	103.60
Dec	103.25	102.60	0	0
Jan	102.75	[illegible]	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	573/2	574/6	577/0	[illegible]
May	587/0	589/2	591/4	[illegible]
Jul	599/6	602/6	604/6	598/2
Aug	605/0	608/0	611/0	[illegible]
Sep	607/0	611/0	611/0	[illegible]
Nov	616/2	621/0	622/4	[illegible]
Jan	628/0	632/4	634/0	[illegible]
Mar	640/0	645/0	643/4	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.12	[illegible]	21.32	21.11
May	21.51	21.68	21.69	21.48
Jul	21.94	21.93	22.10	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	22.00	[illegible]	22.10	[illegible]
Oct	22.02	[illegible]	22.20	22.00
Dec	22.23	22.40	22.40	[illegible]
Jan	22.27	22.50	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	167.5	167.8	[illegible]	[illegible]
May	171.9	172.2	172.7	170.7
Jul	176.0	176.1	176.7	175.1
Aug	177.8	177.9	178.5	177.0
Sep	179.8	[illegible]	[illegible]	179.0
Oct	181.5	181.6	181.3	180.3
Dec	184.4	184.5	184.6	184.0
Jan	184.5	185.2	185.5	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/4	239/6	240/0	238/4
May	246/2	248/4	249/2	246/2
Jul	254/2	255/6	255/6	253/4
Sep	255/6	257/0	257/4	255/4
Dec	258/4	259/4	259/2	257/4
Mar	266/4	267/4	267/4	266/4
May	271/0	272/0	272/0	270/0

WHEAT 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	252/4	254/4	254/0	252/0
May	260/6	263/0	264/0	260/4
Jul	270/2	273/0	274/2	270/2
Sep	280/2	282/6	280/4	280/2
Dec	293/0	295/0	295/0	293/0
Mar	301/0	302/4	301/4	300/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.62	79.35	79.85	79.35
Apr	77.40	76.92	77.40	76.65
Jun	73.95	73.45	73.97	73.42
Aug	72.22	72.00	72.27	71.87
Oct	72.30	71.95	72.30	71.90
Dec	73.70	73.20	73.70	73.25
Feb	74.55	74.20	74.50	74.20

LIVE HOGS 30,000 lb; cents/lb

	Close	Previous	High/Low	
Feb	51.85	52.12	52.12	51.77
Apr	49.60	49.87	50.10	49.55
Jun	55.05	55.07	55.65	54.85
Jul	54.55	54.57	54.90	54.50
Aug	51.62	51.60	51.85	51.50
Oct	45.70	45.67	46.10	45.65
Dec	47.02	47.02	47.10	46.90
Feb	48.05	47.85	48.05	47.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	64.25	64.42	64.00	63.67
Mar	63.02	63.60	63.50	62.67
May	62.77	63.27	63.25	62.37
Jul	61.67	61.70	61.85	61.20
Aug	58.75	59.60	59.70	58.70
Feb	57.02	57.25	0	57.02

LONDON [illegible] EXCHANGE

Equities finish below FT-SE 2,300

A LONDON stock market already struggling to hold to recent levels in the face of easier trends elsewhere in Europe was finally discouraged yesterday by a weak opening on Wall Street. The FT-SE [illegible] mark was lost early in the [illegible]sion and attempts to recover this benchmark faded when New York turned off on the latest US inflation data, showing a fall of 25.25 Dow points in London trading hours.

[illegible] FT-SE Index [illegible] off at 2,296.8, a shade above the day's low. Equities [illegible] the downside [illegible] opening, lacking a definite [illegible] from trading overnight in Tokyo and New York and also beset by a further round of downgradings of leading stocks by London-based brokerage analysts. Uncertainty over prospects for the Soviet plan for a Gulf peace [illegible] overhung [illegible] market.

Account Dealing Dates		
First Dealings:		
Feb 11	Feb 25	Mar 11
Option Declarations:		
Feb 21	Mar 7	Mar 27
Last Dealings:		
Feb 22	Mar [illegible]	Mar 28
Account Day:		
Mar [illegible]	Mar [illegible]	Apr [illegible]

*New-time dealings may take place from 8.30 am two business days earlier.

The [illegible] round [illegible] brokerage comments brought a significant reaction [illegible] stocks, notably Glaxo which announces results [illegible] and also in Grand Metropolitan and in [illegible] been recovering from a prolonged period [illegible]vour. The [illegible] reception [illegible] brokerage views appeared to reverse the market's more [illegible] ability to [illegible] comment on [illegible] argument that bad corporate news is already [illegible].

"Downgradings when the market is at FT-SE [illegible] have proportionately greater effect than when we were at 2,100," [illegible] Mr Paul Harrison [illegible] International, [illegible] US banking [illegible] house.

Some of yesterday's company downgrades were [illegible] which, having performed well in the market's advance, [illegible] vulnerable [illegible] that profits should [illegible] taken. However, [illegible] that the loss of [illegible] 2,300 will [illegible] a temporary [illegible] for a market [illegible] been largely driven forward by hopes of lower [illegible] rates, although Wall Street's recent advance [illegible] the stage for the [illegible] ery in leading world markets.

"There is a [illegible] prospect [illegible] further [illegible] in UK [illegible] even [illegible] Budget day," [illegible] Mr [illegible] Reynolds [illegible] County [illegible] pointing [illegible] favourable trends [illegible] London [illegible] markets, despite [illegible] by the Bank of England to discourage market speculation of an early reduction. [illegible] believes [illegible] offering good investment value and is attractive against other global equity markets.

[illegible] was [illegible] yesterday [illegible] mostly concentrated on a handful of individual [illegible]. On the [illegible] hand, [illegible] appeared to [illegible] significantly [illegible] aggressive [illegible] buying stock [illegible] share [illegible] to the marketmakers [illegible] fuel the attempted [illegible] day.

Seaq trading volume increased to 514.2m shares from the [illegible] previous session, and this [illegible] sign [illegible] increased volume in a dull market was seen as a bearish sign by some traders.

There was only limited [illegible] to the day's list of corporate [illegible] Shell [illegible] a few pence [illegible] after announcing fourth quarter and full year figures, with [illegible] holdings being switched into BP stock; [illegible] analyst [illegible] there was "some marginal disappointment" for Royal [illegible] on [illegible] guilder [illegible].

At the London close, traders were watching the [illegible] York [illegible] market closely as [illegible] responded [illegible] on the US economy from the US Treasury Secretary and the chairman of the Federal Reserve Board.

FINANCIAL TIMES STOCK INDICES

	Feb [illegible]	Feb 19	Feb 18	Feb 15	Feb 14	Year Ago	1990/91 High	1990/91 Low	[illegible] High	[illegible] Low
[illegible] Secs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] (19/2/91)	74.13 (30/4/90)	127.4 [illegible]	49.18 (3/1/75)
Fixed Interest	[illegible]	94.23	94.22	[illegible]	[illegible]	90.40	[illegible]	83.80 [illegible]	[illegible]	50.53 [illegible]
[illegible]	1826.2	[illegible]	1842.6	[illegible]	1817.5	1783.8	1968.3 ([illegible]/1/90)	[illegible]	2008.6 [illegible]	49.4 [illegible]
[illegible]	131.7	134.7	134.5	134.5	136.1	[illegible]	[illegible] (6/2/90)	129.2 [illegible]	734.7 [illegible]	[illegible]
FT-SE 100 Share	2296.8	[illegible]	2318.3	[illegible]	2294.4	[illegible]	[illegible]	[illegible]	2463.7 [illegible]	[illegible] (23/7/84)
FT-SE [illegible]	[illegible]	1049.57	[illegible]	[illegible]	[illegible]	-	[illegible]	900.45 (14/1/91)	[illegible]	[illegible] (14/1/91)
[illegible] Div. Yield	5.26	5.21	5.20	5.25	5.27	[illegible]				
Earning [illegible] %(full)	10.95	10.86	10.84	10.94	[illegible]	11.72				
[illegible]	11.04	11.14	11.18	11.05	11.02	10.33				
SEAQ Bargns 4.45pm	28,731	[illegible]	[illegible]	[illegible]	[illegible]	25,172				
Equity Turnover(£m)†	-	[illegible]	902.99	[illegible]	[illegible]	776.66				
Equity Bargains†	-	[illegible]	[illegible]	37,963	[illegible]	[illegible]				
[illegible] (m)†	-	461.9	410.7	587.8	[illegible]	[illegible]				

[illegible] Gold mines [illegible] FT-SE [illegible] & FT-SE [illegible] 28/10/90. [illegible]

Ordinary [illegible] Hourly [illegible] High [illegible] Day's [illegible]

Open	[illegible]	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1830.5	[illegible]	[illegible]	[illegible]	[illegible]	1840.1	[illegible]	[illegible]	[illegible]

[illegible] Hourly [illegible] Day's High [illegible] Low [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2306.2	2301.1	2304.7	2309.0	2310.8	2311.6	2304.1	2297.9	2298.3

FT-SE Eurotrack 100, hourly changes Day's High 1045.95 Day's Low 1037.67

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1043.43	1042.54	1042.67	1043.82	1043.46	1040.83	1038.42

GILT EDGED ACTIVITY

Indices*	[illegible]	Feb 18
Gilt Edged Bargains	95.7	98.3
5–Day average	102.1	101.3

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and [illegible] index: Tel. 0898 [illegible]

Glaxo runs into sellers

[illegible] ended a four-week bull run [illegible] analysts [illegible] mended taking profits. UBS Phillips & Drew voiced [illegible] caution on the market [illegible] ulcer treatment Zantac, [illegible] biggest selling drug and responsible for some two thirds of Glaxo's profits. It pointed [illegible] the rise of a rival treatment, Losec, made by Sweden's Astra. Losec [illegible] a different mechanism to deal with ulcers, which the broker thinks will "put [illegible] on existing therapies".

[illegible] recommended selling Glaxo but kept its buy [illegible] on SmithKline Beecham, which makes the second best selling ulcer drug, Tagamet, on the grounds that [illegible] drug is a much smaller component [illegible] overall [illegible] profits. [illegible] pointed [illegible] continuing benefits from [illegible] 1989 merger of SmithKline Beckman and [illegible].

Pessimism over Zantac was [illegible] shared by all researchers. Nomura remained relatively positive on the likely trend of [illegible] drug's market [illegible]. It said, however, that [illegible] shares [illegible] too [illegible] in [illegible] Mr Didier Cowling [illegible] a similar rating to that of big US drug stocks." The [illegible] in recent [illegible] been [illegible] the [illegible], and yesterday they held back.

Glaxo dropped 32 to end at the day's low of 939p, still more than 110p higher than the price in mid-January. Turnover was a busy 2.9m. SmithKline eased a penny to 677p.

GrandMet down

Grand Metropolitan, the drinks and leisure multinational, was hit hard in early trading by two reports. There were suggestions that Merrill Lynch, the US securities house, had cut its profits forecasts and advised investors to sell. However, the official announcement from Merrill [illegible] only that it had changed [illegible] recommendation from buy to neutral, saying that it would buy again if the price was 5 per cent lower.

As [illegible] story [illegible] current, [illegible] traders concluded [illegible] company's ADR listing, due next month, [illegible] in jeopardy. This [illegible] quickly dis[illegible] by more level-headed [illegible] and by analysts.

[illegible] to languish, however, ending at the day's low [illegible] 714p, [illegible] 18. Volume was a busy [illegible].

[illegible] issues, depressed on Tuesday by heavy selling from [illegible] broking firm, [illegible] by [illegible] a number of Package [illegible] being broken up and sold, [illegible] some good support. Smith [illegible] Court [illegible] buyers [illegible] Welsh Water [illegible] Yorkshire Water, [illegible] well [illegible] initiating switching [illegible] Southern into Yorkshire. Smith [illegible] Court [illegible] cialist Mr [illegible] was looking good [illegible] relative to [illegible] electricity [illegible].

Yorkshire [illegible] driven sharply higher by the [illegible] recommendation, closing [illegible] up [illegible] 305p, [illegible] Welsh put on 6 [illegible] 316p. [illegible] Package rallied 18 [illegible].

[illegible] electricity distribution companies, [illegible] the [illegible] hand, were unsettled by renewed profit-taking. The Electricity Package lost 40 [illegible] London Electricity, [illegible] at 184p, [illegible] Wales, [illegible] same [illegible] 197p.

A flurry of buying [illegible] in BP followed reports in [illegible] market [illegible] had participated in a significant gas/condensate discovery in Colombia, South America. No official [illegible] the find [illegible] forthcoming, however. BP, which has been drilling in Colombia in partnership with [illegible] Energy, of the US, is the operator of the well, in which it has a [illegible] per cent [illegible].

[illegible] in the market said that the partnership had encountered large quantities of gas. Estimates ran as high as several hundred million barrels of oil equivalents. BP has acquired substantial drilling acreage adjacent to the licence area and made an oil discovery in the region in 1988.

Many analysts played down the reports, but others took the view that any news of increased reserves for BP had to be good news. BP shares, helped by switching out of Shell, edged higher to 319p on [illegible] Triton Europe, a subsidiary of Triton Energy, [illegible] 14 to 106p as speculators chased [illegible]. The [illegible] parent, however, has been looking to sell its 58 per cent stake in Triton Europe for many [illegible].

Shell Transport suffered from [illegible] switching [illegible] slipped [illegible] to 464p. The fourth quarter figures [illegible] expected, [illegible] dividend. At [illegible] Turnbull, Mr John Toalster [illegible] on [illegible]. "We [illegible] further downside," he said, and reduced his 1991 earnings forecasts. He expects Shell to achieve historic net [illegible] of £3.25bn, [illegible] from his previous estimate of £3.45bn, and [illegible] dividend forecast [illegible] 21.5p [illegible] 21.7p.

Also in the sector, [illegible] eased 3 to 355p on keen turnover of 1.1m [illegible] responded to suggestions that a number of broking firms may be about to adjust downwards their [illegible] values for the stock; asset value [illegible] of possibly 30p [illegible] 40p a share were [illegible]. This produced a number of switch operations, out of [illegible] into Enterprise, [illegible] latter adding [illegible] at 537p on [illegible].

Burmah edged up to 560p on 1.6m shares after confirmation that County NatWest had included the stock in its prestigious "County 30" list of top recommendations in the UK. County said Burmah had underperformed the market by 12 per cent since the Gulf crisis began, but is seen as a prime beneficiary of falling oil prices and any recovery in the dollar. Burmah joined the list at the [illegible] of British Gas, which County [illegible] faces regulatory worries, including [illegible] possibility of a Monopolies Commission inquiry. Gas lost 3 to 233½p [illegible] shares traded.

Lloyds Bank [illegible] the heaviest [illegible] banks, 5.1m [illegible] changing [illegible] of tomorrow's preliminary figures. At [illegible] close [illegible] were 3 [illegible]. Abbey National, [illegible] suffered the indignity [illegible] being dropped [illegible] of [illegible] "County [illegible]" list, slipped [illegible] 249p [illegible] 3.2m, [illegible] Midland, [illegible] by worries of being [illegible] UK clearer in living [illegible] cut [illegible] dividend, dipped [illegible] 170p.

Provident [illegible] preliminary figures were given a rousing reception by the market, which immediately marked Provident shares sharply higher prior [illegible] a close of 449p, a net gain of 24. Profits up 14 [illegible] the [illegible] were at the very top end of expectations.

Lloyds Abbey [illegible] moved up [illegible] 380p [illegible] ending a busy [illegible] 377p [illegible] much better [illegible] expected preliminary figures, [illegible] profits up [illegible] per cent. Mr Youssef Ziai [illegible] UBS Phillips & Drew said the [illegible] of selling [illegible] and [illegible] products [illegible] Lloyds Bank customers was "obviously working well". Other [illegible] stocks were [illegible] the ruling by the European Community allowing UK life assurers to operate in Europe under their existing [illegible].

Commercial Union [illegible] General Accident, [illegible] report preliminary figures next Wednesday, were both well supported, [illegible] latter [illegible] at 554p and [illegible] former 10 [illegible] 525p. R[illegible] Sun Alliance, a weak market and [illegible] lower [illegible] 386p, [illegible] have [illegible] increasing [illegible] 14.9 per cent [illegible] in Commercial [illegible] were regarded by sector specialists as unlikely.

Sedgwick, the insurance broker due to report preliminary figures [illegible] Tuesday, fell [illegible] by a Kleinwort [illegible] recommendation.

[illegible] issue stories swept the property leaders, although analysts said there [illegible] no truth [illegible]. [illegible] damage was done, nevertheless, with Land [illegible] 11 [illegible] 539p, MEPC 13 lower [illegible] 521p and Hammerson [illegible] down [illegible] all ending within a [illegible] their respective lows for [illegible] day. [illegible] falls [illegible] around [illegible] per cent.

Reed International partly recovered [illegible] an early sharp fall in busy trading which [illegible] been prompted by rumours that the company [illegible] to produce a trading [illegible]. Reed issued an official denial, but the shares were still down 12 on balance at 390p. Turnover reached 3.2m shares.

Leisure sector leaders [illegible] sharply [illegible] their recent strength. [illegible] was not helped by a downgrading of Trusthouse Forte by UBS Phillips & Drew, its broker. Mr Jeffrey Harwood cut the estimate for the year ending January 31, 1991 by £8m to £196m. The figure for the current year is down to £180m from an old forecast of £235m. "They have run up far enough in the short term. Any weakness might reveal buying opportunities," commented Mr Harwood. Volume was an active 4.6m.

Other hotel issues retreated in sympathy. Ladbroke shed 12 [illegible] ending a [illegible] 258p. Queens [illegible] Houses, [illegible] UBS [illegible] year profits [illegible] £100m, [illegible] 3 to [illegible]. [illegible] eased 2 to 48p.

Kwik [illegible] fell [illegible] as [illegible] switching [illegible] Tesco, up a [illegible] 241p, [illegible] Asda, [illegible]larly [illegible] at 129p. [illegible] said [illegible] Save [illegible] outperformed recently [illegible] suggested [illegible] investors take profits. Kwik [illegible] was on a similar rating to [illegible] and yet it [illegible] not clear whether its long-term prospects justified that. Goldman, however, denied market speculation that it had reduced its current [illegible] forecast from £95m.

Albert Fisher [illegible] unchanged at 120p as the market continued to wonder whether it would bid with Chiquita Brands, of the US, for Polly Peck's Del Monte Tropical Fruit division. The company was reported to have denied this to some analysts, but [illegible] suspicion remained [illegible] Del [illegible] up [illegible] sale Fisher would be interested. [illegible] put [illegible] 2 to 171p following an institutional visit [illegible].

The stores sector [illegible] depressed after several brokers lowered their forecasts. Kleinwort [illegible] estimated that real [illegible] spending would grow this year by just [illegible] per cent, against [illegible] per [illegible] year. Accordingly, [illegible] 1991 [illegible] for Marks and Spencer by £25m to £620m, for Burton by £20m to £50m, and for Kingfisher to £220m from £240m. Marks finished a penny easier at 234p, Burton shed 2 to [illegible] and Kingfisher lost a [illegible] 234p.

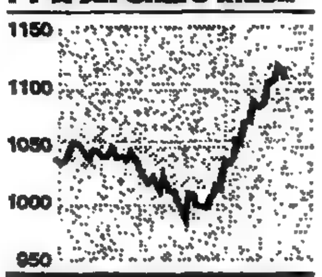
Scottish & Newcastle encountered profit-taking and [illegible] talk [illegible] the company might [illegible] about to [illegible] an acquisition. The shares retreated 7 to [illegible].

Vaux benefited from further [illegible] of the £5.1m [illegible] of [illegible] holding in Tyne [illegible] Television [illegible] Yorkshire Television. The [illegible] added [illegible] 216p, after 218p. Tyne Tees [illegible] a penny [illegible] 284p, while Yorkshire [illegible] unchanged [illegible].

A one-for-three rights issue at 138p a share, raising £10.35m for Community Hospital, left the shares 10 off at 162p. Turnover [illegible] high [illegible] 79,000, [illegible] four trades.

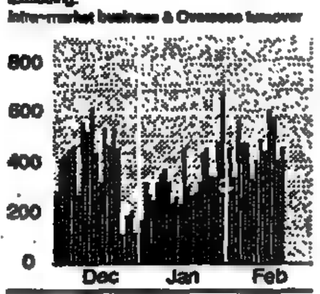
■ Other Market statistics, including the FT-Actuaries [illegible] index, Page [illegible]

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (72).
BRITISH FUNDS (20) CORPORATION LOANS (1) AMERICANS (4) BANKS (3) BREWERS (3) BUILDINGS (3) CHEMICALS (1) STORES (4) ELECTRICALS (5) FOODS (4) INDUSTRIALS (6) Seapak, Diploma, Isotron, Kalamazoo, Kalon, Unichem, INSURANCE (1) LEISURE (1) PAPERS (3) TRUSTS (13) WATER (1).

NEW LOWS (34).
AMERICANS (3) BANKS (1) BUILDINGS (7) CHEMICALS (1) STORES (1) ELECTRICALS (1) ENGINEERING (1) INDUSTRIALS (4) Chillington Corp., Community Hospitals, Johnston Group, Tollgate, INSURANCE (1) LEISURE (1) MOTORS (1) TRANSPORT (1) TRUSTS (6) MINES (3).

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]	314	104	-2
ASDA Group	2,900	129	+1
Abbey National	3,280	248	-3
Albert Fisher	658	120	
Allied-Lyons	2,500	510	+1½
Amstrad	[illegible]	79	
Anglian Water	[illegible]	290	-1
Argos	[illegible]	272	-2
Argyll Group	[illegible]	255	-2
Ass. Brit. Foods	17	[illegible]	-2
BAA	2,300	384	-8
BAT Inds	1,400	853	-6
BET	1,400	130	-½
BICC	[illegible]	413	+1
Courtaulds	1,500	356	-5
Dalgety	936	375	-3
Ferranti	2,400		
Fisons	1,500		
Gen. Accident	650	564	+11
General Elect.	8,100	205	
Glaxo	2,900	[illegible]	-32
Manpower	24		
Manweb	620	[illegible]	-3½
Marks & Spencer	4,700	234	-1
Midland Bank	1,800	170	-4
Smith (W.H.) A	1,400	324	-3
Smith & Nephew	3,400	101	
SmKl Beecham	1,100	677	-1
Southern Elect.	1,300	174	-3½
South Wales Elect.	125	187	-5
Standard Chart.	443	271	+8
Storehouse	583	111	+1
Sun Alliance	1,700	[illegible]	-9
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

1990/91 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1990/91 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990/91 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Yield
46¾	35¼	CPC Intnl. 25c	42½	+¾	$2.00	-	[illegible]
930p	356p	California Engy	424p				-
36½	23½	Campbell Soup 15c	36[illegible]	+¼	$1.16	-	1.6
21¾	5¼	Chase Manhattan $12½	7[illegible]		$1.20	-	7.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

Continued on next page

APPOINTMENTS

Engineer joins BR board

■ Dr Peter Watson, a 47-year-old executive of GKN, engineering group, has been appointed a full-time member of [illegible] BRITISH RAILWAYS BOARD, where he will have special responsibility for advising on engineering [illegible] *writes Richard Tomkins, Transport Correspondent.* Dr Watson, whose doctorate is in civil engineering, spent five years working at BR's technical centre at Derby before moving to GKN in 1976, where he was initially involved in product development before moving to business development. He was latterly chief executive of GKN Axles and GKN Powder Metallurgy, two subdivisions of GKN Automotive.

■ Mr David Ogden is resigning from the end of this month as managing director of ERF LEASING, Crewe, due to relocation problems. The company is a joint venture of ERF and Capital Charter, and Mr Dilip Nathwani has been seconded by Capital Charter to handle the company's day-to-day operations.

■ THE SCOTTISH METROPOLITAN PROPERTY COMPANY has appointed Mr J. Scott Cairns as an executive director. He is chief estates surveyor.

■ NEILL TOOLS, Sheffield, [illegible] appointed Mr Michael Miller as UK sales [illegible]. He was national [illegible] controller with Crown Berger.

■ Mr Barry Moxley has joined HUTCHISON TELECOM as general manager. He was international business development manager with British Telecom Mobile.

■ Mr Tim Pascall has been appointed to the new post of group treasurer at DEL MONTE FOODS INTERNATIONAL. He will take over responsibility for the group's cash flow, interest rate and foreign exchange management from Mr Mark Brody, who continues as group financial controller. Mr Pascall was international treasurer, CMB Packaging.

■ Mr Tom Cohen has been appointed finance director of AMPEX EUROPE, Reading. He was finance director at 'The European' newspaper.

■ Mr John Pinckard becomes non-executive deputy chairman of BIMEC INDUSTRIES from April 1. [illegible] has been a non-executive director for two years.

■ Mr Roger W. Hawksworth has joined BRITISH AEROSPACE (MILITARY AIRCRAFT) in the new post of director of development [illegible] planning. He was managing director of Thames [illegible] Enterprises.

■ Mr Simon Joshua has been appointed marketing director of ROLEX PAPER CO, part of the Jefferson Smurfit Group. He was factory manager.

■ Mr Hamdi Conger has been appointed [illegible] director of the BBA GROUP's brakes division, which trades as AP Lockheed. Mr Brian Gaunt becomes managing director of the clutch division, which trades as AP Borg & Beck.

■ ASPEN BUSINESS [illegible] has appointed Mr Chris Hoare as managing director, and [illegible] Sophy Robinson as deputy managing director.

■ Mr Peter W. Squire has joined the board of HERRING [illegible] HOLDINGS.

■ Miss Jeanette Britton has been appointed company secretary and director of legal affairs at MERCURY PERSONAL COMMUNICATIONS. She was divisional secretary, communications systems division, British Telecom.

■ RENTOKIL GROUP has appointed Mr Nigel Howse as managing director, UK healthcare services division; Mr Ted Brown as managing director, UK tropical plants, water and ventilation, and medical services division; and Mr Geoff Whalley as managing director, [illegible] pets [illegible] services division.

■ Mr Malcolm Norgate has been appointed to manage the abrasives, diamond products, and UK industrial [illegible] of the Foseco group, which was acquired by BURMAH CASTROL last December. The company says he will review the future of these businesses within Burmah Castrol. His previous work for the company was in connection with the disposal of Quinton Hazell in 1986.

Mr Cavan Taylor *(pictured)* has been appointed senior partner of LOVELL WHITE DURRANT, the City law firm, from May 1. He takes over from Mr Peter Gerrard who becomes general counsel at The International [illegible] Exchange. Mr Taylor has been with the firm, and previously with Durrant Piesse, since 1965.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro Fl5	£9½	...	Q28%	2.1	8.8	5.3
303	121	ANZ SA1	137	–6	Q38c	1.9	11.3	4.7
267	172	Abbey National 10p	249	–3	5.7	4.3	3.1	10.1
*274	126	Allied Irish Ord.	157	–5	†Q40%	3.3	5.7	7.1
85	47	Anglo Irish	57	...	Q18.6%	2.3	7.3	7.5
93	43	Ansbacher (H.) 1p	44	+1	2.5	1.3	7.6	12.7
£71½	£32	Bancaire Cie Fr100	£54½	–1	[illegible]	–	2.4	–
£22	£12½	Banco Bilbao Viz	£16	....	Q91%	2.7	5.1	7.3
£58	£21	Banco de Santander	£24½	...	Q28.7%	2.3	5.0	8.5
286	130	Bank Ireland I£1	169	–5	Q14.7%	2.9	7.8	5.9
£19½	£18	Bank Leumi	£19½		–	–	–	–
351	320	Bank Leumi (U.K.) £1	350	...	16.0	–	6.3	–
134	100	Bank Scotland	127	–1	t4.55	3.4	4.8	8.1
110	83¼	Do. 9¼pc Irrd Pf £1	104¼	...	9¼%	–	11.8	–
107¼	99½	Do. 9½pc Irrd Pf £1	107¼	...	9¾%	–	12.1	–
54	39	Bank of Wales	39	.....	2.8	0.8	9.6	18.7
428	290	Barclays £1	386	+2	tn19.57	3.5	6.7	5.4
22	9	Benchmark 20p	9	....	0.75	–	11.1	–
335	195	Brown Shipley £1	220	......	t12.0	2.2	[illegible]	7.1
*448	285	Cater Allen £1	448	+6	F24.5	–	7.3	–
179	29	Chancery	36	......	t9.0	2.7	[illegible]	1.4
£23¼	£14	Commerzbk DM10	£18¼	–¼	Q18%	–	3.4	–
£13¾	620	Dai Ichi K Bk Y50	912	–7	Q17%	6.2	0.4	[illegible]
[illegible]	[illegible]	Deutsche Bk DM50	£227	–3	Q28%	–	2.1	–
£20⅞	£14½	Espirito Santo	£16¼	.....	Q75c	5.1	2.3	8.6
253	152	First Nat. Fin 10p	183	+3	15.0	1.2	9.5	10.9
121	78	FNFC 6.5pc Cr Pf £1	95	+2	6.3%	–	8.8	–
£13¼	[illegible]	Fuji Bank Y50	991	+7	tQ17%	6.9	0.3	42.2
338	262	Ger[illegible] National	338	+8	19.0	–	7.5	–
154	67	Guinness Mahon 10p	67	–1	1.45	–	2.9	–
328	194	Hambros 20p	257	–1	t11.5	–	6.0	–
128	83	Do. 7.5pc Cr Pf £1	114	...	7½%	–	8.8	–
53½	29	HK & Shang HK$2.50	37½	+½	K039c	–	7.4	–
478	373	Joseph (Leo) £1	378	......	15.85	–	5.6	–
150	105	King & Shaxson 20p	133	+3	10.25	–	10.3	–
422	249	Kleinwort Benson Grp	319	–4	16.9	2.5	6.7	7.6
642	316	Kyowa Bank Y50	454	–3	Q14%	[illegible]	0.7	[illegible]

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES

1990/91 High	Low	Stock	Price	+ or −	Net	C'vr	Y'ld Gr's	P/E
131	50	ABI Leisure 10p	53	+2	3.1	4.4	7.8	3.6
£14¼	£5¾	DAF N.V. F15	£6⅝	−⅜	Q50%	2.0	11.3	4.4
149	79	General Mtrs. Units	96	+1	Q$1.4%	—	6.6	—
41	9	March Group 5p	14	...	8	—	—	—
£222¼	£101½	Volkswagen DM50	£116¼	...	Q22%	3.5	3.2	9.1
144	£18⅛	Volvo AB 'B' Kr25	£22¼	+⅛	Q62%	4.2	6.3	3.7

Commercial Vehicles

1990/91 High	Low	Stock	Price	+ or −	Net	C'vr	Y'ld Gr's	P/E
253	69	ERF (Hldgs)	118	...	10.0	1.4	11.3	7.2
180	48	Plaxton Grp	51	...	8.5	2.0	22.2	2.8

Components

1990/91 High	Low	Stock	Price	+ or −	Net	C'vr	Y'ld Gr's	P/E
463	420	Abbey Panels	463		3.5	10.6	1.0	12.3
225	123	Airflow Streamlines	132	+1	6.0	3.0	6.1	7.3
190	140	Bostrom 5p	140		†5.75	3.1	5.5	6.4
266	145	Dowty 50p	169		19.0	2.1	7.1	8.1
239	110	FR Group	134	1	6.37	3.1	[illegible]	6.3
135	55	Kwik-Fit Hldgs 10p	88	+1	2.5	2.3	3.6	16.5
174	102	Lucas Inds	154	−2	7.0	2.5	6.1	7.0
44	14	Do Warrants	25½		—	—	—	—
80	48	Mid-States 10p	49		‡20.75	—	[illegible]	[illegible]

Garages and Distributors

1990/91 High	Low	Stock	Price	+ or −	Net	C'vr	Y'ld Gr's	P/E
28	14	Alexanders 10p	19	+1	1.0	3.5	7.0	5.3
135	60	Appleyard 10p	74		17.8	2.4	14.1	3.5
110	55	Bletchley Motor 20p	70		17.5	1.5	14.3	5.0
568	382	Caffyns 50p	382	−2	21.5	1.0	4.3	24.6
121	88	Central Motor Auctns	91		3.5	2.7	5.3	8.4
61	15	Cook (D.C.) Hldgs 5p	17		1.0	5.5	7.8	3.2
89	33	Cowie (T.) 5p	61	−1	4.2	1.5	9.2	8.5
95	56	Dagenham Motors 10p	80		†5.25	2.8	8.8	5
96	70	Davenport Vernon 10p	72	+1	[illegible]			
247	158	Evans Halshaw	184		11.25	2.4	8.2	6.7
113	68	Gates (F.G.)	72		2.75	1.9	5.3	13.3
161	25	Gowrings 10p	36	+1	5.63	1.0	20.3	6.2
81	44	Jacks (Wm.)	44		[illegible]	1.0		21.6
118	41	Jessups	55		7.0	1.0	17.0	6.0
297	118	Lex Service	157	−3	15.3	1.9	13.0	5.5

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST—Contd

INVESTMENT TRUST—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Central African

Finance

Australians

MINES—Contd

Tins

NOTES

...

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital [illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the [illegible] in [illegible]

Craig & Rose £1	[illegible]	...
Finlay Pkg. 5p	33	...
Holt (Jos) 25p	1300	...

Carrol (P.J.)	154	...
Helton Hldgs.	40xd	−3
IRG	125	−7
United Drug	135	...

IRISH

Cap 8½% Ln. 1991	£99½	...
9pc Cap Ln 1996	£97¾	...
Fin. 13% 97/02	£114	...
Arnotts	160	...

TRADITIONAL OPTIONS

3-month call [illegible]

Industrials

	p
[illegible]	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	30
Blue Circle	19
Boots	[illegible]
Bowaters	[illegible]
Brit Aerospace	45
British Steel	10½
Brit. Telecom	[illegible]
Cadburys	[illegible]
Charter Cons	38
Comm Union	40
Courtaulds	28
Eurotunnel	[illegible]
FKI	[illegible]
FNFC	20
Gen Accident	41
GEC	[illegible]
Glaxo	[illegible]
Grand Met	[illegible]
Guardian	17
GKN	27
Hanson	[illegible]
Hawker Sidd	[illegible]
ICI	70
Ladbroke	[illegible]
Legal & Gen	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	[illegible]
Midland Bk	[illegible]
Nat West Bk	[illegible]
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	[illegible]
Reed Intnl	[illegible]
STC	19
Sears	7½
SmKl Beecham A	51
TI	35
TSB	11
Tesco	19
Thorn EMI	[illegible]
Trust Houses	23
T&N	13
Unilever	52
Vickers	[illegible]
Wellcome	33

Property

	p
Brit Land	24
Control Secs	3½
Land Securities	45
MEPC	[illegible]
Mountleigh	[illegible]

Oils

	p
[illegible] Petlm	3
[illegible] Petroleum	27
[illegible] Castrol	46
[illegible] Petlm	15
[illegible] Res	1½
[illegible]	[illegible]
[illegible]	37
Tuskar Res	[illegible]
Ultramar	29

Mines

	p
Lonrho	19
RTZ	[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2…

TSB Unit Trusts (1200)H

Target Trust Mngrs Ltd (1600)F

Templeton Unit Trust Managers Ltd (1200)F

Thornhill Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1600)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

United Charities Unit Trusts

Wardley Unit Tst Mngrs Ltd (1300)F

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mgmt Ltd

Willbro Financial Services Ltd (0900)F

Woolwich Unit Trust Managers Ltd (1700)H

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charisco/Charishares (1000)F

CAFINVEST-Charities Aid Foundation

COIF-Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Funds in Court

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Assurance Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc – Contd.

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance (z)

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insur./Midland Assur.

Eagle Star Life Assurance Co Ltd

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident (z)

General Portfolio Life Insur Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

Guardian Royal Exchange – Contd.

Hearts of Oak Insurance Group

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Imperial Life Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

The Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Ltd and M & G Pensions

MGM Assurance(z)

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Merchant Investors Assurance Co Ltd – Contd.

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

Assicurazioni GENERALI SpA

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	97 8	102.9	-0 4	-
Pension Managed Fd	93 7	98.7	-0 3	-
Life Deposit Fd	104 6	110 1		-
Pension Deposit Fd.	108 7	114 4		-
National Financial Management Corp PLC				
72 [illegible] HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	103.2	112.8	-0 1	-
Managed Growth	125 9	137.6	+0 4	-
Managed Opportunity	122 1	134 2	+0.5	-
NFMC Target Financial	93 7	100 8	-0.1	-
Pension Funds				
Managed Cautionary	111 7	122 1		-
Managed Growth	131 8	144 9	+0 4	-
Managed Opportunity	124 8	136 4	+0 5	-
NFMC Target Mngd Pens.	1389 2	1510	-6.8	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	150 7	158 7	+4.0	-
UK Equity	156 4	164.5	+4 2	-
Overseas Equity	124 6	131 2	+5.4	-
Fixed Interest	143 1	150.7	+1 8	-
Property	130 7	137 6	+0 1	-
Index Linked	145 4	153 1	+1.9	-
Deposit	150 9	158 9	+0 4	-
With Profits (B)	126 3	133.0	+0.3	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	327 2	344.5	(z)	-
UK Equity	410 8	432 5	(z)	-
Overseas Eq	313.2	329 7	(z)	-
American	243 6	256.5	(z)	-
Far East	329 7	347 1	(z)	-
Property	194.1	204 4	(z)	-
Fixed Int.	255 1	268 6	(z)	-
Indexed Gilt.	151 2	159.5	(z)	-
Deposit	176.8	186 2	(z)	-
Pension Fund (Accum Units)				
Managed	458 2	482 [illegible]	(z)	-
UK Equity	532 3	560 [illegible]	(z)	-
Overseas Eq	519 3	546 [illegible]	(z)	-
American	320 3	337 [illegible]	(z)	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	[illegible]	153.5	-1 0	-
Accum Equity	[illegible]	217.0	-1.5	-
Accum Managed	[illegible]	225 5	-1.5	-
Accum Five Star	[illegible]	167.0	+0.5	-
Accum World	115 0	121 5		-
Accum Lifetime	105 8	105 8	-0.1	-
Pens A/c Equity	219 0	231 5	-1 5	-
Pens A/c Managed	262.0	276 0		-
Pens A/c Intl	190 0	200 5	-1 0	-
Pens A/c Deposit	192.0	202 5		-
Pens A/c Five Star	170 0	179 0	+0 5	-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc.	209 1	220 6	-1 4	-
UK Fixed Int Acc	167.7	177.0	+0.2	-
Intl Equities Acc	160.4	169.3	+0 9	-
UK Managed Acc.	163 3	172.2	-0 4	-
Property Acc	226.3	238.8		-
Money Acc	125.9	132 9		-
Special Market Acc.	125 8	132.8	-2.0	-
Japan Equity Acc	98 7	104 2	-0.5	-
North American Acc.	93 3	98.5	-0.2	-
Pacific Acc.	83 7	88.3	+0 2	-
Technology Acc.	103.5	109.2	-0 1	-
Nat Resources Acc	48 7	51.4	+0 4	-
European Acc	95.7	101.0	-0.2	-
Residential Prop Acc.	95 8	101.1		-
Swiss Equities Acc	34 0	35.9	-0.4	-
Hong Kong Acc.	52.8	55.8	+0 4	-
UK High Inc Eq Acc	69.2	73 0	-0.7	-
Int Fixed Interest Acc.	54 6	57.6		-
Int Managed Acc.	52.9	55.8	+0.2	-
HIP Managed Acc.	105.7	111.4		-
HIP Managed II Acc.	92.5	97.5	-0 4	-
Total Investment Bond				
UK Equity Initial		142 8	-1.0	-
UK Fixed Int Initial		114 8	+0.1	-
Intl Equities Initial		109 0	+0.6	-
UK Managed Initial		111 8	-0.2	-
Property Initial		156 0		-
Money Initial		86 6		-
Special Market Initial		98.3	-1.4	-
Japan Equity Initial		77 0	-0 4	-
North American Initial		72.9		-
Pacific Initial		65.3	+0 1	-
Technology Initial		80 7		-
Nat Resources Initial		38 0	+0.3	-
European Initial		86 2	-0.2	-
Residential Prop Init.		91 9		-
Swiss Equities Initial		32 7	-0.3	-

Royal Heritage Life Assurance Ltd—Contd.

Scottish Widows Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Inv Pol 1 Feb 15	669.5	669.5		-
Inv Pol 2 Feb 15	614.1	646.5		-
Inv Pol 3 Feb 15	592 0	623.2		-

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Acc.	588.3	619.3	-2.6	-
Property Acc.	293.6	309.1	-0.3	-
Equity Acc.	922.0	970.6	-4.3	-
Fixed Interest Acc.	268.9	283 1	-0.5	-
Cash Acc.	253.3	266.7	+0.1	-
International Acc	323.5	340 6	+0.9	-
Distribution	231.2	243.4	-0 8	7.78
American Equity Acc	228.0	240 1	+0.2	-
Far Eastern Acc.	415.3	437.2	-3 4	-
Index-Linked Acc.	149.4	157.3	-0.2	-

CMI Insurance Co Ltd
Clerical Medical Hse, Douglas I O M. 0624 625599

Chase de Vere PLC
63 Lincoln's Inn Fields London WC2A 3JX 071-404 5766

	Bid Price	Offer Price	+ or -	Yield Gross
New Trust Fd	98 9	104 1	+0.1	-
Safeguard Fd	92 7	97 7	+0 4	-
United Kingdom Fd	141.8	149 0		-
Worldwide Fd	105.3	110 8	+1 6	-

ECU Futures Plc

	Bid Price	Offer Price	+ or -	Yield Gross
ECU Omega Funds		177 0	+1.0	-
ECU Royden		91.0	-2 0	-

Edinburgh Money Management Ltd
41a Charlotte Square, Edinburgh EH2 4HQ 031 220 1244

Hambros Fd Mgrs (CI) Ltd
PO Box 255, Guernsey 0481 715454

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

هكذا من الاصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,965	2,995	....	-
New Generation Fd $	$22.18	22.40	....	-
Japan Index Alpha	Y8,692	8,824	....	-
Jap Sector Rotation	Y7,302	7,410	....	-
Jap Cap Grwth CB	[illegible]	[illegible]	....	-
Sandi International (Guernsey) Ltd				
Intl Bond	$10.66	10.84	....	-
Intl Dollar	$10.39	10.40	....	-
Intl Equity	$11.47	11.88	....	-
Falcon High Income	$90.70	90.86	....	-
Schroder Investment Mngmt (Guernsey) Ltd				
Latin American	$12.2019	12.9015	....	-
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11.67	11.74	....	-
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$751.1		....	-
Fixed Income Shares	$876.72		....	-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth		$11.27	-0.11	-
Yamaichi ISS Fund		$8.14	-0.13	-
Yamaichi CB Plus Fund		$8.87	-0.1	-
Thai Lar Fund		$10.86	....	-

IRELAND (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin						010 353 1760 630
GAM Universal US $ Acc		$-	113.96		....	-
GAM Universal US $ Inc		$-	113.96		....	-
GAM Universal DM Acc		DM-	109.33		....	-
GAM Universal DM Inc		DM-	109.33		....	-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0.99	1.06	-0.01	-

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$14.12	14.84	-0.25	1.05
Japan Tech	$61.49	64.58	-0.59	-
Japan Fund	$26.51	27.84	-0.31	0.17
Japan New Grwth Fd	$19.15	20.12	-0.26	-
Malay Sing	$54.45	57.18	+0.34	0.31
Nth American	$20.16	21.12	+0.09	0.58
Octopus Fund	$20.17	21.19	+0.20	0.88
Pacific Fd	$51.82	54.42		0.24
International Bond	$16.89	17.74	-0.05	6.89

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63 Bond Street, St. Helier, Jersey						0534 76029
Stlg Fixed Inc	5½	£1.126	1.126xd	1.146	-0.001	9.90
Offshore High Yield	3½	£1.435	1.435xd	1.493	-0.005	14.57
Global Equity Fund	5½	$14.54	14.65	15.67	-0.01	1.07
European Equity	5½	[illegible]	17.45	18.66	+0.11	1.01
UK Growth (£) Fund	5½	£4.419	4.484	4.796	-0.023	3.37
Nth American Eqty	5½	$9.810	9.810	10.456	-0.021	0.78
Far Eastern Eqty	5½	$9.804	9.734	10.411	-0.010	0.59
International Gilt	5½	$9.628	9.628	10.297	-0.014	12.89
Intnl. Bond Fund						
Sterling Managed	5½	£10.30	10.30	[illegible] 97	+0.01	8.77
US Dollar Managed	5½	$13.55	13.55	[illegible] 40	-0.01	5.41
International Currency Fund						
[illegible] Managed $	5½	£25.10	25.10	26.56	....	-
[illegible] Managed $	5½	$29.20	29.20	30.90	....	-
[illegible] $	0	£24.22	24.22	24.22		13.48
[illegible] $	0	$37.48	37.48	37.48	+0.01	5.50
[illegible] Mark $	0	[illegible]	58.87	58.87	+0.02	7.75
[illegible] $	0	Y4.777	4.777	4.777	+1	6.26
[illegible] $	0	[illegible]	45.94	45.94	..	6.86
[illegible] $	0	£21.77	21.77	21.77	..	6.75
INVESCO MIM International [illegible] Ltd						
[illegible] 271, St Helier, Jersey						[illegible] 73114
[illegible] Gilt (z)	5½	[illegible]	0.1709xd	[illegible]		9.16
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey						0534 27561
Lloyds Tst. Gilt	2½	£9.557	9.572	9.822	-0.01	11.40
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey						0534 37788
Intl Circuit Portfolio	6	96.10	96.10	101.94	+0.33	0.00
Gilt	3	93.58	93.58	96.49	-	11.36
For MIM see INVESCO MIM						
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box [illegible] St Helier, Jersey						0534 76077
Govt S[illegible]	4	57.18	57.18	59.68	+0.02	10.89
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey						0534 7[illegible]
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	103.09	103.09xd	106.18	+0.03	[illegible]
Gilt & Fixed Interest	5	104.89	104.89xd	108.08	-0.17	[illegible]
Blue Chip & Gilt Edged	5	47.43	47.43	50.34	-0.06	[illegible]
International Bond	5	105.01	105.01	110.[illegible]	[illegible]	[illegible]
UK Equity	5	91.44	91.44	98.[illegible]	[illegible]	[illegible]
International Equity	5	96.52	96.52	103.[illegible]	[illegible]	[illegible]
Far Eastern	5	81.78	81.78	87.[illegible]	-0.08	0.00
European	5	82.82	82.82	87.[illegible]	-0.09	0.42
Pan American	5	88.94	88.94	94.[illegible]	-0.46	0.79
TSB Gilt Fund Ltd						
Quarterly Share M	3	97.85	97.85	100.99	-0.18	10.60
Monthly Share	3	96.72	96.72xd	99.80	-0.06	10.72

JERSEY (REGULATED)(**)

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm but below best

The dollar fell back after failing to break through technical resistance levels of DM1.5005 and Y131.90 against the D-Mark and the Japanese [illegible]. There was profit taking after the [illegible] currency continued [illegible] recent advance, and although the dollar then drifted lower it finished higher on the day at the London close.

The Gulf [illegible] tended [illegible] into the background, as the market [illegible] the present situation [illegible] favourable for the dollar, irrespective [illegible] whether there is a peaceful settlement or a continuation [illegible] the conflict.

Peace would ease pressure [illegible] the US economy, but the move [illegible] a ground war would increase uncertainly [illegible] regarded as supportive of [illegible] US currency.

[illegible] yesterday towards economic factors, including [illegible] larger [illegible] ted rise of 0.4 per cent in January US consumer prices. This [illegible] the annual rate of infla[illegible] down [illegible] 5.7 from 6.1 [illegible] cent, but was not [illegible] low as expected. The market had been looking [illegible] an [illegible] fig[illegible] cent, [illegible] there [illegible] concern [illegible] prices, excluding food [illegible] per [illegible] in January, compared with expectations of an unchanged 0.4 [illegible]

increase.

Reaction to the figures was that core inflation remains uncomfortably strong in the [illegible], raising doubts about [illegible] prospects for lower interest [illegible] despite the recession.

On the other hand Mr Alan Greenspan, chairman of the [illegible]ral Reserve Board, told [illegible] congressional committee that inflation in 1991 is likely to be [illegible] best level for several years.

He said [illegible] should be shorter and shallower than most post-war downturns and that the reduction in price pressures had [illegible] the Fed [illegible] to move aggressively to counter the recession without fanning inflation. At the same time, Mr Greenspan warned that [illegible] dollar has shown unwelcome weakening tendencies recently.

The latest news on US inflation and Mr Greenspan's comments left the dollar slightly firmer overall. It rose to DM1.4970 from DM1.4925; to Y131.75 from Y131.50; and to SFr1.2805 from SFr1.2800, but fell to FFr5.0800 from FFr5.0825. [illegible] Bank of England figures the dollar's index rose to [illegible] 60.5.

Sterling was little changed in general, weakening against the dollar, but improving against the D-Mark as the Bank of England indicated that an early cut in UK bank base rates will be resisted. The pound fell 45 points to $1.9475, [illegible] DM2.9150 from DM2.9125. Sterling declined [illegible] FFr9.8925 from FFr9.9200; to SFr2.4925 from [illegible] from Y256.75. [illegible] unchanged [illegible]

Within the European Monetary System [illegible] pound remained slightly [illegible] the weakest placed French [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	[illegible] Against Ecu Feb 20	% Change from Central Rate	[illegible] Currency	Divergence Indicator
Spanish Peseta	133.631	127.637	-4.49	5.91	78
Belgian Franc	42.4032	42.1918	-0.50	1.66	32
D-Mark	2.05586	2.04991	-0.29	1.45	29
Dutch Guilder	2.31643	2.31005	-0.28	1.44	21
Italian Lira	1538.24	1537.06	-0.08	1.23	12
Irish Punt	0.767417	0.770299	0.38	0.78	-10
Danish Krone	7.84195	7.88318	0.53	0.63	-17
Sterling	0.696904	0.703462	0.94	0.21	-19
French Franc	6.89509	6.97482	1.16	0.00	-35

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

£ IN NEW YORK

Feb.20	Latest	Previous Close
£ Spot	1.9470-1.9480	1.9500-1.9510
1 month	1.03-1.02pm	1.05-1.04pm
3 months	2.92-2.89pm	2.96-2.94pm
12 months	8.75-8.65pm	8.82-8.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.20	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Feb 20	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Feb 20	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Feb 20	£	$
[illegible]	[illegible]	[illegible]
Taiwan	52.70 - 52.80	27.10 - 27.15
U.A.E.	7.1640 - 7.2045	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Feb 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9450 - 1.9570	1.9470 - 1.9480	1.02-1.00cpm	6.22	2.88-2.85pm	5.88
Canada	2.2440 - 2.2570	2.2480 - 2.2490	0.53-0.46cpm	2.64	1.52-1.38pm	2.58
Netherlands	3.2780 - 3.2900	3.2800 - 3.2900	1¼-1cpm	4.11	3¼-2¾pm	3.65
Belgium	59.70 - 60.10	59.85 - 59.95	21-17cpm	3.81	55-49pm	3.47
Denmark	11.1740 - 11.2225	11.2025 - 11.2125	2⅞-2½orepm	2.88	7¾-6¾pm	2.61
Ireland	1.0915 - 1.1065	1.0955 - 1.0965	0.26-0.18ppm	2.41	0.63-0.43pm	1.93
Germany	2.9060 - 2.9175	2.9125 - 2.9175	1-⅞pfpm	3.86	2¾-2½pm	3.60
Portugal	253.95 - 255.85	254.80 - 255.80	1-22cdis	-0.54	103-145dis	-1.94
Spain	180.75 - 181.55	180.80 - 181.20	15-23cdis	-1.26	63-74dis	-1.51
Italy	2178.95 - 2185.50	2184.50 - 2185.50	2-1lirepm	0.82	3-1pm	0.37
Norway	11.3635 - 11.4075	[illegible] - 11.3875	2⅞-2¼orepm	2.57	6-5¼pm	2.00
France	9.8875 - 9.9150	[illegible] - 9.8975	3¼-2¾cpm	3.64	8-7¼pm	3.18
Sweden	10.8500 - 10.8810	10.[illegible] - 10.8625	1¼-¾orepm	1.04	1½-1pm	0.46
Japan	256.00 - 257.00	256.00 - 257.00	1¼-1ypm	4.97	3¼-2¾pm	4.68
Austria	20.43 - 20.52	20.48 - 20.51	7-5¾gropm	3.73	19¼-16¾pm	3.48
Switzerland	2.4875 - 2.4975	2.4875 - 2.4975	1¼-⅞cpm	4.81	3-2¾pm	4.71
Ecu	1.4145 - 1.4170	1.4150 - 1.4160	0.44-0.38cpm	3.48	1.14-1.07pm	3.12

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.23-5.18cpm . 12 Month 8.65-8.55pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9450 - 1.9570	1.9470 - 1.[illegible]	1.02-1.00cpm	6.22	2.88-2.85pm	5.88
Ireland†	1.7760 - 1.7890	1.7805 - 1.[illegible]	0.63-0.58cpm	4.08	1.90-1.80pm	4.15
Canada	1.1520 - 1.1540	1.1530 - 1.1540	0.33-0.36cdis	-3.59	0.94-0.99dis	-3.35
Netherlands	1.6795 - 1.6890	1.6865 - 1.6875	0.31-0.33cdis	-2.28	0.94-0.98dis	-2.28
Belgium	[illegible]	30.70 - 30.80	6.00-8.00cdis	-2.73	18.00-22.00dis	-2.60
Denmark	[illegible]	5.7525 - 5.7575	1.50-1.80oredis	-3.44	4.50-5.10dis	-3.34
Germany	[illegible]	1.4965 - 1.4975	0.28-0.30pfdis	-2.32	0.85-0.88dis	-2.31
Portugal	[illegible] - 131.00	130.85 - 130.95	70-80cdis	-6.88	250-270dis	-7.94
Spain	92.65 - 93.20	93.05 - 93.15	57-60cdis	-7.54	170-178dis	-7.48
Italy	1115.50 - 1122.75	1121.75 - 1122.75	4.90-5.40liredis	-5.51	15.00-16.00dis	-6.52
Norway	[illegible] - 5.8525	[illegible] - 5.8475	1.65-2.00oredis	-3.75	5.60-6.10dis	-4.00
France	[illegible] - 5.0955	5.0775 - 5.0825	1.13-1.18cdis	-2.73	3.50-3.58dis	-2.79
Sweden	5.5570 - 5.5820	[illegible]	2.25-2.65oredis	-5.27	7.25-7.95dis	-5.45
Japan	130.90 - [illegible]	131.70 - 131.[illegible]	0.13-0.15ydis	-1.28	0.38-0.42dis	-1.21
Austria	10.4405 - 10.5300	10.5250 - 10.5300	2.10-2.50grodis	-2.62	6.00-7.10dis	-2.49
Switzerland	1.2710 - 1.2810	1.2800 - 1.2810	0.12-0.15cdis	-1.27	0.38-0.43dis	-1.27
Ecu	1.3740 - 1.3845	1.3755 - 1.3765	0.33-0.31cpm	2.79	0.99-0.93pm	2.79

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Feb 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: [illegible]

EXCHANGE CROSS RATES

Feb.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EURO DM; THREE MONTH ECU; FT-SE 100 INDEX; EURO SWISS FRANC; FT FOREIGN EXCHANGE RATES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	1.9452	[illegible]	[illegible]
Jun	1.9156	1.9184	1.9144	1.9118
Sep	-	1.8940	-	1.8902

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES Feb.19; OPTION ON LONG-TERM FRENCH BOND (MATIF) Feb.19; THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate) Feb.19

	Open	Close	Change	High	Low	Yield	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	90.40	90.40	+0.05	90.46	90.39	9.60	19,372
June	90.66	90.70	+0.05	90.74	90.66	9.30	13,332
September	90.85	90.86	+0.05	90.91	90.85	9.14	4,286
[illegible]	90.89	90.86	+0.01	90.90	90.86	9.14	1,352

[illegible] volume 10,542 Total Open Interest 38,541

CAC-40 FUTURES (MATIF) Stock Index Feb.19

	[illegible]	Close	Change	High	Low	Open [illegible]
February	1717.0	1714.0	-14.0	1737.0	1712.0	7,831
March	1727.0	1732.5	+15.0	1749.5	1726.0	2,795
April	1739.0	1739.0	+9.5	1739.0	1739.0	[illegible]
June	-	-	-	-	-	-

Estimated volume 10,425 Total Open Interest 10,828

BASE LENDING RATES

	%		%		%
ABN Bank	13½	Co-operative Bank	[illegible]	Nat Bk. of Kuwait	13½
Adam & Company	13½	Coutts & Co	13½	NatWestminster	13½
Allied Trust Bank	14	Cyprus Popular Bk	13½	Northern Bank Ltd	13½
AIB Bank	13½	Dunbar Bank PLC	13½	Nykredit Mortgage Bank	14
● Henry Ansbacher	13½	Duncan Lawrie	13½	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
B & C Merchant Bank	13½	Exeter Bank Limited	14	Royal Bk of Scotland	13½
Bank of Baroda	13½	Financial & Gen. Bank	13½	● Smith & Williamson Secs.	13½
Banco Bilbao Vizcaya	13½	First National Bank Plc	16	Standard Chartered	13½
Bank Credit & Comm	13½	● Robert Fleming & Co.	13½	TSB	13½
Bank of Cyprus	13½	Robert Fraser & Ptnrs.	14	Unibank plc	13½
Bank of Ireland	13½	Girobank	13½	● United Bk of Kuwait	13½
Bank of India	13½	● Guinness Mahon	13½	United Mizrahi Bank	13½
Bank of Scotland	13½	● Hambros Bank	13½	Unity Trust Bank Plc	13½
Banque Belge Ltd	13½	Hampshire Trust Plc	14½	Western Trust	13½
Barclays Bank	13½	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	13½
Beechmark Bank	14	● Hill Samuel	13½	Whiteaway Laidlaw	13½
Brit Bk of Mid East	13½	C. Hoare & Co.	13½	Yorkshire Bank	13½
● Brown Shipley	13½	Hongkong & Shanghai	13½		
CL Bank Nederland	13½	● Leopold Joseph & Sons	13½		
● Charterhouse Bank	13½	Lloyds Bank	13½		
Citibank NA	13½	Meghraj Bank Ltd	13½		
City Merchants Bank	13½	McDonnell Douglas Bnk.	13½		
Clydesdale Bank	13½	Midland Bank	13½		
Comm.Bk.of London Plc	13½	Mount Banking	13½		

● Members of [illegible] Banking [illegible] Houses [illegible]

MONEY MARKETS

Bank sends warning

THREE-MONTH sterling interbank hovered around [illegible] per cent yesterday, after the Bank of England sent a warning [illegible] money market against an early cut in UK bank [illegible].

Three-month money [illegible] 12¹³⁄₁₆-12⅞ per [illegible] UK money supply [illegible] bank lending data, before lower than expected lending was followed by a warning from the authorities on interest rates by offering funds to the market at the existing [illegible] rate [illegible] 13⅞ per cent. Wholesale [illegible] then firmed slightly with [illegible] month money finishing [illegible] 12⅞ [illegible] cent against 13¹⁄₁₆-12¹⁵⁄₁₆ on Tuesday.

UK clearing bank base lending rate 13.5 per cent from February 13, 1991

There was [illegible] larger than expected rise in M0 money supply in January, but M4 bank and building society lending [illegible] £3.1bn, against £2.4bn in December, was lower than forecast.

Prices of short sterling futures rose on Liffe. March delivery opened [illegible] and touched 87.44, before closing at 87.39 against [illegible] previously.

Day-to-day credit [illegible] in short supply on the [illegible] market [illegible] the Bank [illegible] England [illegible] early round [illegible] tight so far [illegible] and the [illegible] England [illegible] early help every trading day since February 6.

Yesterday's shortage [illegible] initially forecast [illegible] £1,050m, but was [illegible] £1,000m [illegible] noon and [illegible] £700m in [illegible]. Total help [illegible] was provided.

In early operations the [illegible] bought £2m bank [illegible] outright in band 2 [illegible] 13⅞ per cent. [illegible] lunch [illegible] £12m bank bills were purchased in [illegible] 2 at [illegible] per cent, and the discount houses were invited to use their borrowing facilities. In the afternoon the Bank of England lent £620m [illegible] for seven days [illegible] 13⅞ per [illegible].

Bills maturing in official hands, repayment of [illegible] and [illegible] take-up [illegible] Treasury bills drained £433m, with exchequer transactions absorbing £505m, a rise in the [illegible] circulation £80m and bank balances below target £10m.

In Frankfurt call money eased to 8.70 from 8.75 per cent, despite action by [illegible] Bundesbank [illegible] drain a net DM2.8bn at this [illegible] securities repurchase agreement tender. The central bank accepted bids [illegible] DM13.3bn for 35-day funds at a fixed [illegible] 8.5 per cent, compared with an expiring 28-day facility of DM16.1bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.20) [illegible] US [illegible]		6 [illegible] US [illegible]	
bid 6⅞	offer 6¹⁵⁄₁₆	bid 6⅞	[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference [illegible] at 11.00 a.m. each working day. The [illegible] are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and [illegible]

(Lunchtime)

Prime rate	9	One month	-	Three year	7.07
Broker loan rate	8¾	Two month	-	Four year	7.26
Fed.funds	7	Three month	6.10	Five year	7.44
Fed.funds at intervention	7	Six month	6.18	Seven year	7.70
		One year	6.27	10-year	7.82
		Two year	6.86	30-year	8.00

Feb.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.65-8.75	8.70-8.85	8.75-8.90	8.80-8.95	8.85-9.00	9.00
Paris	9⅛-9¼	9⅜-9½	9¼-9½	9⅛-9⅜	9½-9⅝	9.25
Zurich	7⅝-7⅞	7¾-8	-	7⅝-7⅞	-	-
Amsterdam	8.75-8.88	[illegible]	-	8.90-8.98	-	-
Tokyo	8¼-8⅜	8¼-8⅜	-	7⅞-7¹⁵⁄₁₆	-	-
Milan	12¾-13⅛	13½-13¾	-	13⅝-13⅞	-	-
Brussels	-	9¼-9⅜	-	9¼-9⅜	-	-
Dublin	11⅛-11¼	11⅛-11⅝	11⅛-11⅝	11⅛-11⅝	11-11⅛	-

LONDON MONEY RATES

Feb 20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	13⅞	13¼	13	12[illegible]	12
Interbank Bid	13¼	13⅞	13⅛	12⅞	12[illegible]	11¾
Sterling CDs	-	-	13⅛	12⅞	12[illegible]	11¾
Local Authority Deps.	13½	13½	13⅛	12⅞	12[illegible]	11⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	13½	13½	13⅛	12⅞	-	-
Company Deposits	-	-	13⅞	12⅞	12⅞	11⅞
Finance House Deposits	-	-	13⅞	13	12⅞	11⅞
Treasury Bills (Buy)	-	-	13⅛	12⅛	-	-
Bank Bills (Buy)	-	-	13⅛	12⅞	11⅞	-
Fine Trade Bills (Buy)	-	-	13⅞	12⅞	12⅞	-
Dollar CDs	-	-	6.50	6.58	6.58	6.80
SDR Linked Dep. Offer	-	-	[illegible]	8⅞	8¼	8¼
SDR Linked Dep. Bid	-	-	[illegible]	8⅞	8¼	8¼
ECU Linked Dep. Offer	-	-	[illegible]	9½	9½	9⅞
ECU Linked Dep. Bid	-	-	[illegible]	9⅞	9⅞	9⅞

Treasury Bills (sell); one-month 12¹³⁄₁₆ per cent; three months 12⅞ per cent; six months 11⅞ per cent; Bank Bills (sell): one-month 13⅛ per cent; three months 12⅞ per cent; Treasury Bills; [illegible] rate [illegible] discount 12.1298 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1991. Agreed rates [illegible] period Feb 26, 1991 to Mar 25, 1991, Scheme I: 15.10 p.c., Schemes II & III: [illegible].26 [illegible] Reference rate for period Jan 1, 1991 to Jan.31, 1991, Scheme [illegible] 14.012 p.c. Local Authority [illegible] Finance Houses seven days' notice, [illegible] seven days' fixed. Finance Houses [illegible] Rate 14 from February 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from [illegible]. Deposits withdrawn [illegible] per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Cr Equiv	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

	Gross	Net	Cr Equiv	CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.7,475 Set by GRIFFIN

ACROSS
1 [illegible]cure and stupid [illegible] (9)
6 Plump for a cycle (5)
[illegible] Where [illegible] a hybrid [illegible]
10 Puzzling call [illegible] retire carrying [illegible] Ming bust [illegible]
11 Illumination source [illegible] left in view (10)
12 Cold boy gets dressed (4)
14 Nectar [illegible] plant (7)
15 Relative, 100, [illegible] outside town (7)
17 Climbing frames (7)
[illegible] Cooking tin seen burning (7)
20 Enquire after model's job (4)
22 She runs a [illegible] revolution rally without (10)
[illegible] Pasta [illegible] developed around Gateshead [illegible]
26 Fancy woman [illegible] round home [illegible]
27 Newspaper group [illegible] man is in (5)
[illegible] Reviving near winding trail (9)

DOWN
1 Distant man rings in [illegible]
2 Add [illegible] urn, terribly plain (9)
[illegible] Black [illegible] red, [illegible] new building flourished (10)
[illegible] Pleasantness [illegible] friendship when half [illegible]d (7)
5 Descriptive term for stone man in SF film (7)
6 Something inclined to get one down? (4)
7 Before dropping key, [illegible] and I left (5)
8 Nice one lost after ten years' decay [illegible]
13 Only [illegible] (10)
14 What [illegible] foul-mouthed [illegible] broadcasts? (9)
16 [illegible] in brown and green changed colour (9)
18 Race official treats models right (7)
19 Unfinished story in one man's language (7)
21 Rock show starts dead on (5)
23 Pleasant street, houses tiny (5)
24 Mum turned to go (4)

Solution to Puzzle No.7,474

ALTERCATE CLASS / COMIC THRUSTING / TRESPASSER BETA / PRIMATE TENDRIL / REGALES REPAPER / USER SAFFLOWERS / IRREGULAR ISSUE / EYRIE PRETENDED

هكذا من الاصل

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Feb. 19	Feb. 18	Feb. 15	Feb. 14	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2932.18	(c)	2934.65	2877.23	2934.65 (15/2)	2470.30 (9/1)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	94.79	(c)	94.86	94.65	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1118.83	(c)	1119.18	1097.85	1127.12 (11/2)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.11	(c)	215.45	214.79	217.62 (11/2)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2955.30 (-) Low 2895.30 (-)

STANDARD AND POOR'S

	Feb. 19	Feb. 18	Feb. 15	Feb. 14	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	369.39	(c)	369.06	364.22	369.39 (19/2)	311.49 (9/1)	369.06 (15/2/91)	4.40 (1/6/32)
Industrials	436.58	(c)	435.43	429.49	436.58 (19/2)	364.90 (9/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	28.28	(c)	28.68	28.22	28.80 (13/2)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	201.40	(c)	201.29	198.92	201.40 (19/2)	170.97 (9/1)	201.29 (15/2/91)	4.46 (25/4/42)
Amex Mkt. Value	343.70	(c)	342.73	340.80	343.70 (19/2)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	450.32	(c)	448.71	444.31	450.32 (19/2)	355.75 (14/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb.15	Feb. 8	Feb. 1	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.57	3.70	4.14
	Feb. 13	Feb. 6	Jan.30	year ago (approx.)
S & P Industrial div. yield	2.91	3.01	3.20	3.09
S & P Indl. P/E ratio	17.89	17.39	16.58	14.23

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Nat Semi	4,674,000	6⅞	...
Phillip Morris	4,469,500	62	+ 3
Hewlt-Pack	2,746,000	45½	+ 5⅛
RJ Nabisco	2,464,500	7⅛	+ ⅛
Boeing	2,400,800	49⅝	+ ⅜
IBM	2,278,100	139⅛	+ 2⅛
Ford Motor	2,124,800	30⅝	- ⅛
Gen Electric	2,067,500	69⅝	...
Gen Motors	2,012,400	37⅝	+ ⅜
GTE Corp	1,666,800	31⅝	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb. 19	Feb. 18	Feb. 15
New York	189.900	-	222.370
Amex	9.867	-	15.572
NASDAQ	132.892	-	155.034
Issues Traded	2,096	-	2,030
Rises	779	-	1,186
Falls	857	-	460
Unchanged	460	-	384
New Highs	108	-	102
New Lows	4	-	3

CANADA

TORONTO	Feb. 19	Feb. 18	Feb. 15	Feb. 14	1991 HIGH	1991 LOW
Metals & Minerals	3220.08	3224.35	3177.95	3166.28	3224.35 (18/2)	2632.06 (9/1)
Composite	3530.94	3532.54	3506.55	3492.25	3532.54 (18/2)	3161.95 (15/1)
MONTREAL Portfolio	1877.99	1882.70	1867.39	1864.26	1882.70 (18/2)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 20	Feb. 19	Feb. 18	Feb. 15	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1372.2	1398.7	1399.3	1376.6	1399.3 (18/2)	1204.5 (16/1)
All Mining (1/1/80)	595.6	609.7	607.5	600.1	609.7 (19/2)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	495.40	501.52	490.16	479.83	501.52 (19/2)	390.84 (15/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5534.78	5563.58	5406.21	5320.18	5563.58 (19/2)	4664.84 (16/1)
DENMARK						
Copenhagen SE (3/1/83)	345.08	346.78	341.69	335.95	346.78 (19/2)	302.26 (8/1)
FINLAND						
Unitas General (1975)	384.9	384.0	381.7	378.4	387.9 (2/1)	348.4 (9/1)
FRANCE						
CAC General (31/12/82)	448.29	451.55	444.80	440.34	451.55 (19/2)	394.88 (15/1)
CAC 40 (31/12/87)	1693.07	1700.93	1694.96	1670.39	1700.93 (19/2)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	663.00	671.26	658.84	638.99	671.26 (19/2)	570.48 (15/1)
Commerzbank (1/12/53)	1888.80	1912.5	1877.7	1818.5	1912.5 (19/2)	1612.5 (15/1)
DAX (30/12/87)	1567.32	1587.13	1572.57	1531.19	1587.13 (19/2)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3492.16	3467.84	3473.42	(c)	3492.16 (20/2)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1302.99	1303.94	1304.91	1278.42	1304.91 (19/2)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	561.03	570.35	570.38	553.50	570.38 (18/2)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	26198.79	26166.98	26230.01	25343.74	26230.01 (18/2)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1947.43	1957.61	1954.81	1896.04	1957.61 (19/2)	1625.00 (17/1)
2nd Section (4/1/68)	2957.31	2959.20	2935.24	2852.30	2959.20 (19/2)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	562.26	555.34	545.96	(c)	562.26 (20/2)	470.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	243.6	245.7	244.8	242.9	245.7 (19/2)	221.4 (16/1)
CBS All Shr (End 1983)	178.1	179.7	179.0	177.6	179.7 (19/2)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	669.52	675.21	673.86	676.74	680.58 (14/2)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	914.17	894.52	885.10	874.71	914.17 (20/2)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	380.76	377.05	376.48	(c)	380.76 (20/2)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1024.0	1008.0	1026.0	1036.0	1367.0 (14/1)	976.0 (6/2)
JSE Industrial (28/9/78)	3258.0	3242.0	3199.0	3178.0	3258.0 (20/2)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	669.91	669.45	674.09	(c)	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	255.13	256.36	256.98	254.08	256.98 (18/2)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1023.9	1010.2	993.7	985.9	1013.9 (20/2)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	686.0	685.8	676.0	686.0 (19/2)	590.4 (14/1)
SBC General (1/4/87)	(u)	581.5	582.2	574.2	581.5 (19/2)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4950.68	5048.48	(c)	(c)	5048.48 (19/2)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	817.24	823.65	821.21	774.52	823.65 (19/2)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	518.9*	523.8	524.2	517.6	524.2 (18/2)	439.1 (16/1)

**Saturday February 16: Taiwan Weighted Price: (c). Korea Comp Ex. (c).
a Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 20 February 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Mng	51.1m	718	+58	M'sui OSK Lines	14.5m	614	+2
M'bishi Mtrls	27.6m	868	+6	C Itoh	13.1m	780	-5
M'sui Shpbldg	18.3m	653	-14	Chiyoda Corp	12.6m	2,850	+10
Nippon Steel	16.6m	511	-3	Toyo Kanetsu	11.4m	1,300	+130
Nippon Yusen	14.6m	696	+6	S'tomo Cement	11.3m	625	-5

3:15 pm prices February 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13¾	9¾	AAR Corp			7	596	12¾	12⅜	12½	-⅛
25¾	21⅝	A L Labs A			18	84	22⅞	22⅜	22½	-⅛
52¼	40⅞	AMP Inc	1.44	0.03	18	1555	49½	48¾	49½	
60⅛	44¼	AMR			9	15842	59	58¾	58¾	-⅝
2⅞	1¾	ARX			4	261	1⅝	1½	1½	-⅛
48⅞	41½	ASA x	3.00	0.07	12	420	43⅞	43⅜	43½	
47⅞	39¼	Abbott Lab			20	3712	46⅞	46½	46¼	-⅝
13	9⅞	Abitibi Pr			30	32	12¾	12⅝	12⅝	-⅛
11½	10⅜	ACM Gvt In				261	11	10⅞	11	
9⅞	8¾	ACM GvOpp				141	9½	9⅜	9⅜	
9	8¾	ACM Gvt Sp				574	u9	8⅞	8⅞	-⅛
10¾	9⅞	ACM Gr Sc x				519	10⅝	10½	10½	-⅛
8⅛	7⅝	ACM Man				283	u8⅛	8	8	-⅛
12½	11⅞	ACM Managd				179	12⅜	12⅛	12⅛	-⅛
7½	4¼	Acme Cleve	0.40	0.06	19	67	6¾	6⅝	6¾	+⅛
6	4¾	Acme Elect			16	46	5⅛	4⅞	4⅞	-¼
35¼	22¾	Acuson			26	250	u35⅞	35	35	-¼
16¾	14¼	Adams Expr x	0.48	0.03	0	58	16½	16¼	16⅜	
20	18⅞	Adobe12Pl				48	19⅝	19½	19⅝	
9¼	7½	Adobe Res			13	332	9	8⅞	9	
26½	18	Ad Micro				68	25¼	25	25¼	-¼
8¼	4⅝	Ad Micro P	3.00	0.38	15	7819	8⅛	7¾	8	+⅛
4⅜	2¼	Advest Grp			2	89	3⅝	3⅜	3½	-⅛
48⅞	33⅞	Aetna Lf				82412	47⅞	47¼	47⅜	-½
9½	6⅝	Affil A x	0.24	0.02	26	704	9⅜	9⅛	9¼	-⅛
17½	12	Ahmanson x	0.88	0.05	8	990	16⅝	16⅜	16⅜	-½

[illegible]

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19⅝	11⅛	Quantum Ch			22	895	18	17⅝	17¾	−⅛
14¾	10½	QuestVal D				251	u14¼	14	14	−¼
13⅝	12⅝	QuestVal P x				56	13¼	13⅛	13¼	
37⅞	33¼	Questar x	1.96	0.05	12	149	37⅞	36⅝	38¾	
17½	10	Quick R'y	0.28	0.02	13	431	16⅞	16½	16⅞	−¼
		- R - R -								
11½	10⅝	RAC Incm x	0.42	0.04		32	u11½	11¼	11¾	−⅛
6⅞	4⅞	RAC Mortg	0.60	0.09	7	430	6⅞	6⅝	6¾	−⅛
[illegible]										

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49	43¼	Xerox4.125				3	u49	48⅞	48¾	+¼
19⅞	14⅛	Xtra 1.94				106	19¾	19½	19½	−¼
21⅞	14¼	Xtra Corp	0.72	0.05	11	80	u22	21½	21⅞	+⅝
1	⅝	Zapata			0	50	⅞	¾	⅞	+⅛
7¼	6⅛	ZenithElec				6	739	7½	6⅞	7⅛	−⅛
15⅝	12	Zenith Nat	1.00	0.06	32	173	u15⅝	15½	15½	
5	4½	Zenix Inc	0.28	0.06		23	u5	4⅞	5	+⅛
13⅛	10⅞	Zero Corp	0.72	0.05	13	152	u13⅛	13	13⅛	+⅛
41⅞	29½	Zurn Ind	0.88	0.02	15	205	38¾	37⅞	37⅞	−⅛
12¼	10¼	Zweig Fund				209	u12¼	12⅛	12⅛	−⅛
9⅞	8½	Zweig Totl				716	u9⅞	9⅝	9⅞	+⅛

Price data supplied by Telekurs

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pat HI&P		8	2100	6⅞	6⅞	6¾	−⅛
Phil LD		5	57	13¾	13¼	12⅞	−⅛
Pitway A		10	4	u23½	23¼	23¼	
Ply-Gem x	0.12	12	55	7¼	7	7⅛	
PresidioA		3	27	5	5	5	
Prts Com		0	534	½	⅜	½	−⅛
Pro Med		11	15	5¾	5⅞	5⅞	−⅛
Prof Care		5	35	6⅝	5½	5½	−⅛
[illegible]							

NASDAQ NATIONAL MARKET

3:00 pm prices February 20

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							
Withington		16	879	23½	23	23¼	−⅛
WW Group		1	1379	2⅞	2⅝	2¾	−⅛
Wyman-Gdn		87	204	8¼	7⅞	7⅞	+⅛
- X - Y - Z -							
Xilinx		37	617	18	17½	17½	−½
XL Data		4	465	6¼	d6¼	6¼	−⅛
Xoma Corp		17	2292	27½	26¾	27¼	+¼
YankeeEnS		15	180	20⅛	19¾	20⅛	
Yellow Fr x	0.94	13	1136	32¾	32¼	32¼	−¼
York Rsch		17	3328	u16⅝	15⅛	16¼	+⅞
ZionUtah x	0.60	8	138	36⅞	35¾	36	−¼

FINANCIAL TIMES
Thursday February 21 1991

AMERICA

Interest rate fears spark sustained morning sell-off

Wall Street

FEARS that the Fed will postpone a further cut in interest rates because of inflationary concerns sparked a sustained sell-off yesterday morning, *writes Patrick Harverson in New York.*

By 1.30pm the Dow Jones Industrial Average was 28.96 lower at 2,903.22. Other leading indices also fell: the Standard & Poor's 500 was down 3.82 at 365.57 at 1pm, while the Nasdaq composite of secondary stocks was down 2.99 at 447.33. Big Board turnover was 120m shares by 1pm, with declines outnumbering advances by over two to one.

The sharp losses at the opening followed a larger than expected rise in January consumer prices, of 0.4 per cent on the month, and 0.8 per cent *excluding food and energy* prices. Comments by Mr Alan Greenspan, the Fed chairman, were taken as a warning that interest rates would not be cut if inflation crept back into the system.

Market analysts, however, were not alarmed by the fall in share prices. Since the 400-point gain since the Gulf war started on January 16, analysts have expected a degree of correction, and yesterday's inflation figures provided the perfect excuse for profit-taking.

Special situations and earnings prospects featured. Square D, the electrical equipment manufacturer, soared $21 to $72¾ on turnover of 2.2m shares after the company received an unsolicited $78-a-share offer from Schneider of France.

Hewlett-Packard climbed $1⅞ to $46¼ on turnover of 2m shares, and Honeywell advanced $1½ to $56. Both companies reported earnings data on Tuesday which exceeded market expectations.

Time-Warner was unchanged at $109¾ in busy trading after the entertainment group announced a fourth quarter loss, but better than predicted underlying earnings.

Limited, the niche clothing retailer which performed well on Tuesday following good results, fell back after a block *of 5.3m shares, 1.5 per cent of* the company, was sold. By early afternoon Limited was down $¾ at $23¾ on turnover of 6.9m shares.

The ADRs of Glaxo, the UK pharmaceutical company, fell $1¼ to $36½ after a downgrade from UBS Phillips and Drew, the London-based brokers.

Among over-the-counter stocks System Software plunged $7 to $22¼ on turnover of 3.2m shares. Wall Street analysts had slashed their earnings estimates after disappointing first quarter earnings and a profits warning for the second quarter.

Cytogen rose $1⅞ to $14⅞ as investors responded to a broker's buy recommendation. Zeos International climbed $¾ to $23 after reporting an increase in fourth quarter net income from 17 cents a share in 1989 to 40 cents a share in 1990.

Canada

OPENING LOSSES in Toronto were trimmed by midsession yesterday, but caution about the Gulf war kept the market under pressure.

The composite index fell 16.9 to 3,514.0. Declines led advances by 348 to 215 on volume of 13m shares. The market had risen 9.6 per cent during the previous 15 sessions.

John Labatt jumped C$1⅞ to C$25⅛ on volume of 63,000 shares on rumours of a takeover bid by Philip Morris. Speculation that Anheuser-Busch was planning a takeover had been in the market for several months, according to dealers. Brascan, which has a 40 per cent interest in Labatt, firmed C$1⅛ to C$19⅞. Placer Dome was flat at C$17¼ after reporting a fourth quarter loss of four cents per share after a profit of 15 cents.

EUROPE

Profit-taking sets subdued continental tone

PROFIT-TAKING was widespread across the Continent yesterday after the recent gains. Individual stocks set the tone on some bourses, with Astra propelling Stockholm to a 1991 high while a 12.6 per cent drop in Hoogovens pulled Amsterdam down, *writes Our Markets Staff.*

AMSTERDAM ended sharply lower as Hoogovens dropped 12.6 per cent. The company announced that it would have to cut steel rolling production by 10 to 15 per cent because of a drop in demand. The shares were briefly suspended before the news and then dropped Fl 6.60 to Fl 45.60. The CBS tendency index closed 1.7 lower at 86.7.

Royal Dutch was 30 cents firmer at Fl 133.70 after reporting a 12 per cent rise in fourth quarter net profits to $1.14bn. Trading in Royal Dutch generated around Fl 121.5m of the day's total Fl 735.2m.

STOCKHOLM reversed early losses to reach a new high for *the year thanks to a rally in* the pharmaceutical company, Astra, which reports its 1990 results on Monday. The market is expecting a profit rise of between 30 and 35 per cent.

The share price was also boosted by research from UBS Phillips and Drew, which estimates that Astra's share of the world peptic ulcer market will grow to 27 per cent in 1995 from 5 per cent in 1990, at the expense of Glaxo of the UK. Astra free B shares closed SKr11 higher at SKr491.

The Affärsvärlden General index added 3.6 to 1,013.9, although volume fell to SKr394m from SKr503m.

FRANKFURT's profit-taking was healthy enough, said Mr Matthias Welticke of Merck Finck in Düsseldorf, but selling was reinforced by weakness on the bond market where the Bundesbank's average bond yield rose by 8 basis points from 8.40 to 8.48 per cent.

Volume fell from DM9.2bn to DM6.5bn. After a drop of 8.26 to 663.00 in the FAZ index at midsession, the DAX closed 19.81, or 1.2 per cent lower at 1,567.32. In the post-bourse, prices moved lower still on balance, reflecting a weak Wall Street.

There was a distinct contrast in the automotive sector where BMW fell DM10.20 to DM469.50 although Daimler gained DM2.20 to DM606.20. Mr Welticke said that BMW had put up a phenomenal performance in the past four four weeks, with the shares up from DM380 to DM485 at one point, and that yesterday's action reflected a conventional switch into the rediscovered Daimler, up from DM550 last Thursday.

ZURICH tumbled in aggressive profit-taking, with volume estimated at below Tuesday's SFr777m as the Crédit Suisse index fell 11.5, or 2.2 per cent to 514.7. Active blue chips included CS Holding, parent of Crédit Suisse, down SFr60 to SFr1,830, and Ciba-Geigy registered, down SFr100 to SFr2,350.

However, the engineering company, Sulzer, rose SFr130 to SFr4,310. There were rumours that the Swiss financier, Mr Werner Rey, may be interested in selling his 30 per cent stake in the company.

PARIS was fairly resilient for the last day of the trading account, and in the face of a lower bond futures market. Profit-taking took the CAC 40 index down 7.86 to 1,693.07 in *turnover of about FFr2.3bn,* after Tuesday's FFr3.5bn.

Schneider, the electrical equipment and construction company, dropped to a day's low of FFr682 on its $1.9bn offer for Square D, a US electrical components maker which is expected to dilute Schneider's 1991 earnings. The stock closed at FFr686, down FFr41 or 5.6 per cent, with 208,375 shares traded. Merlin Gerin, its subsidiary, shed FFr23 or 4.1 per cent to FFr534.

One dealer said that while Schneider's timing was poor in view of market sentiment, a dollar-based acquisition at a time when the US seems poised to move out of recession could prove shrewd in the longer term. There has been speculation about the move for the last month, during which the stock tracked or only slightly underperformed the market.

Rhône-Poulenc certificates gained FFr4.40 to FFr295.40 after the company reported a fall in 1990 profits, but forecast a rise in 1991 operating income.

MILAN profit-taking took the Comit index down 9.32 to 561.03, in volume estimated at below Tuesday's L270bn.

Speculation that Snia would *broaden its chemical accord* with Enichem Augusta pushed both higher in brisk trade. Snia, which is controlled by the Agnelli group, was officially fixed L44 higher at L1,640 and reached L1,655 in the after-market. Enichem Augusta rose to L1,470 after a fix L9 higher at L1,390.

BRUSSELS was led lower by Société Générale de Belgique on profit-taking again. The cash market index eased 28.8 to 5,534.78 in volume of BFr864m. La Générale fell 4.5 per cent or BFr105 to BFr2,220.

MADRID weakened on profit-taking, the general index losing 1.23 to 255.13 in moderate trading of about Pta15bn, after Tuesday's Pta18.8bn. Most utilities moved lower, but Fecsa gained Pta14 to Pta899 on 1.5m shares.

OSLO slipped in cautious trading, the all-share index losing 3.29 to 462.36 in volume of NKr220m. Den norske Bank, which reported 1990 losses in line with expectations the previous day, fell NKr1 to NKr91.

ISTANBUL's 75-share index slipped 49.63 to 5,276.60. Trading remained active, although turnover declined to TL215bn from TL265bn. ATHENS eased after Tuesday's 9.4 per cent jump, with the general index falling 19.19 to 1,202.20. Insurance stocks continued to rise, however, with the sectoral index gaining 5.1 per cent.

ASIA PACIFIC

Nikkei fluctuates to finish modestly higher

Tokyo

SHARE prices fluctuated as rumours that the Allied forces had started a ground attack on Kuwait spread through the market during the morning session, *writes Emiko Terazono in Tokyo.*

The Nikkei 225-share average closed with a modest gain of *31.81 at 26,198.79. The index* rose to the day's high of *26,340.32 shortly after the opening* on buying interest which followed through from Tuesday, but fell to the day's low of 25,836.06 in the afternoon as investors grew cautious. Traders said the Nikkei was more than 10 per cent higher than its 25-day moving average, and was in danger of overheating.

Volume fell from Tuesday's 1.5bn shares to 900m as foreign investors retreated to the sidelines. Domestic interest was still strong and individual investors were active, but the overall picture showed falls outnumbering gains by 676 to 333, with 152 issues unchanged. The Topix index of all first section stocks lost 10.18 to 1,947.43, and in London the ISE/Nikkei 50 index receded *13.42 to 1,495.31.*

Large-capital issues were again actively traded, some easing on profit-taking. Mitsui Shipbuilding lost Y14 to Y633.

Mining shares were bought as laggards. Traders said investors were running out of cheap stocks to buy, and were focusing on the sector. Nippon Mining, topping the actives list, advanced Y58 to Y718. Mitsubishi Materials rose Y6 to Y868.

High-priced electricals rebounded in the afternoon, after meeting profit-taking on Tuesday. Sony rose Y170 to Y7,150, TDK Y200 to Y5,490 and Pioneer Electronic Y180 to Y5,230.

Some shares moved on fundamentals. Oki Electric Industry dropped Y38 to Y812 on reports of a fall in profits for the year ending next month, due to sluggish semiconductor sales and higher interest rates. Komatsu, a leading construction machinery maker, fell Y30 to Y965 on its downward revision of profits growth prospects, due to slower sales.

Toko, a coil and switch manufacturer, climbed Y49 to Y920. Investors were encouraged by brisk sales of its coils for compact video cameras and mobile telephones. The stock has been volatile recently on speculative interest.

Credit Saison, the credit company belonging to the Seibu distribution group, surged Y110 to Y2,330 on hopes of a 10 per cent scrip issue at the end of March.

In Osaka, the OSE average declined for the first time in 12 trading days, losing 132.15 to 28,847.42 on volume of 107.1m shares.

Nintendo moved ahead Y200 to Y22,700. The company said it was considering reducing the trading lot for its stock to 100 shares from the current 1,000 shares to increase the number of its shareholders.

Roundup

PACIFIC RIM markets were mostly lower on profit-taking yesterday after the region's recent strength.

TAIWAN was led lower by the financial sector on news that the Finance Ministry would sell its shareholdings in Hua Nan Commercial Bank, First Commercial Bank and Chang Hwa Commercial Bank before the end of June. The weighted index ended 1.94 per cent or 97.8 lower at 4,950.68. Volume expanded to T$75.97bn from T$44.19bn.

NEW ZEALAND dropped 2.1 per cent in volatile trading. The Barclays index shed 29.23 to 1,356.11 in turnover of NZ$27.13m, boosted by off-floor trades in Fletcher Challenge and Lion Nathan, against NZ$18.24m. Fletcher, the day's most active stock, slipped 6 cents to NZ$3.50.

AUSTRALIA declined 1.9 per cent on profit-taking. The All Ordinaries index closed down 26.5 at 1,372.2 after turnover of A$175m (A$227m).

Pasminco, a lead and zinc producer, dipped 8 cents to A$1.20 on its expectations of a significant loss for the full year. Operating profits after tax plunged to A$6.4m in its fiscal first half ended December 31 from A$77.6m because of a substantial fall in zinc prices.

SINGAPORE closed broadly higher in heavy trading. The Straits Times Industrial index climbed 18.10 or 1.3 per cent to 1,397.40. Volume increased to S$325.4m from S$259m.

Hong Kong-listed Jardine Matheson Holdings, which traded in Singapore for the first time yesterday, closed at HK$30.25, against Tuesday's Hong Kong close of HK$30.00 but volume was low. In KUALA LUMPUR, the composite index rose 6.92 or 1.2 per cent to 562.26, but was off the day's high of 563.93. Turnover grew to 181.7m shares from Tuesday's 153.6m.

SEOUL lost its early gains, leaving the composite index at 669.91, up only 0.46 after slow volume of Won311bn, down from Won359bn.

HONG KONG advanced as early declines were followed by strong afternoon buying. The Hang Seng index gained 24.33 to 3,492.16, but turnover declined to HK$1.42bn from HK$1.65bn.

MANILA moved higher in active trading after a quiet start. The composite index added 19.65 at 914.17, up 2.19 per cent, regaining the 900 level for the first time this year. Turnover swelled to 157.8m pesos from 97.7m.

SOUTH AFRICA

JOHANNESBURG rose in thin trading yesterday, the all-share index adding 23 to 2,815. The all-gold index climbed 16 to 1,024. Allied Group, the subject of a takeover bid, recovered from a fall to R2.65, closing steady at R2.80.

Political manoeuvres and budget delay lift Bombay

Cement shares have led the rally, on increased demand for building materials, says R.C. Murthy

SIGNS THAT Mr Rajiv Gandhi and his Congress party could be on their way back to power lifted the Bombay Stock Exchange (BSE) 30-share index 10.6 per cent early this week. Yesterday Prime Minister Chandra Shekhar postponed the budget, which had been due on February 28. He had faced pressure from the Congress party, which feared that a harsh budget could damage its prospects in forthcoming state elections.

Mr Gandhi's party is flexing its muscles and trying to influence the policies of the minority administration, which came to power three months ago. The party has threatened to withdraw its support – first on the issue of refuelling facilities for US military aircraft, which has been resolved, and second on the formulation of a deflationary budget for next year, which could now be postponed for a couple of months.

The market appears to have discounted a long Gulf conflict. It has yet to assess the effect of any political manoeuvres.

Worries about an economic downturn pushed share values sharply lower in early October last year, following a 25 per cent increase in petroleum product prices because of the Gulf crisis. Before then, the market had been one of the few in the world to enjoy an unbroken rally following the Iraqi invasion of Kuwait in August.

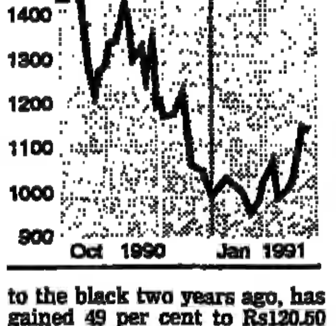
Indian stock markets have steadied this month, boosted by a rally in cement shares, which had fallen in January on fears that the government would introduce price controls. A rise in local demand for cement, and expectations that the Gulf states will be a big market for Indian building materials companies when it comes to reconstruction, have boosted prospects for the industry – which is also the least vulnerable to the foreign exchange crunch currently gripping the country.

Shares in ACC, the largest cement producer, have risen 40 per cent to Rs1,820, from a low of Rs1,300 on January 25.

Gujarat Ambuja Cement, a medium-sized producer, has risen 28 per cent to stand at Rs120 yesterday from a low of Rs93.75 on January 7, while India Cements, the Madras-based company which returned to the black two years ago, has gained 49 per cent to Rs120.50 over the same period. Even the laggards are looking up: Modi Cement, which has a large accumulated loss, was quoted at Rs14.50 yesterday, against Rs10.50 on January 7.

India

Bombay SE 30 Index 1978/9 = 100



In spite of the gains in the cement sector, the BSE index had made only a modest recovery before this week, advancing 8.7 per cent from its six-month low of 956.1 on January 25. Including this week's gains, however, the market has extended that rise to 20 per cent. The index slipped 1.56 yesterday to 1,148.33.

Investors have not recovered from the shock of a 40 per cent erosion in share values in the last quarter, when the index plunged from the peak of just over 1,600 on October 9. The fall triggered a payments crisis on the BSE, where the fortnightly settlement of transactions was delayed for two months, resulting in the bankruptcy of five brokerages.

In mid-January trading was suspended for nearly two weeks, prompted by the need to moderate the disruptive effect of the Gulf crisis. But most market watchers saw this as a tactical move to give time to brokers who were finding it difficult to meet their settlement obligations.

The individual investor has deserted the secondary market and is concentrating on new issues. The Rs1bn ($53m) share issue to privatise the state-owned Industrial Credit and Investment Corporation of India evoked overwhelming response last week.

Earlier, Nagarjuna Fertilisers and Chemicals mobilised Rs400m from farmers in equity, surprising the underwriters, who had feared that they would be left with two thirds of the Rs800m equity flotation on their hands.

One recent bullish factor has been the resignation of Mr D.N. Ghosh from the government-appointed chairmanship of Larsen and Toubro (L & T), the leading engineering company. This has paved the way for the return as chairman of Mr Dhirubhai Ambani, head of the Reliance Industries group, who has close contacts with Mr Gandhi's Congress party.

The market believes that L & T's share price will be closely linked to the fortunes of Mr Ambani. It is, therefore, expected to react favourably to the exit of Mr Ghosh. On Tuesday, it rose Rs16.25 or 16.3 per cent to Rs116.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 19 1991								MONDAY FEBRUARY 18 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	133.14	+0.0	101.12	110.67	103.31	112.20	+0.1	6.10	133.13	100.70	109.74	102.75	112.14	158.31	112.74	144.88
Austria (19)	222.37	+2.8	168.90	184.85	172.55	171.70	+2.8	1.59	216.80	163.99	178.71	167.33	167.05	285.63	167.00	263.23
Belgium (60)	150.99	+1.5	114.68	125.50	117.16	113.94	+1.6	5.17	148.82	112.57	122.66	114.85	112.12	160.02	121.73	139.11
Canada (116)	139.95	−0.3	106.29	116.32	108.58	116.94	−0.2	3.43	140.38	106.18	115.70	108.33	117.15	153.61	121.24	138.76
Denmark (32)	270.56	+1.3	205.50	224.91	209.94	210.77	+1.7	1.40	267.09	202.03	220.16	206.13	207.24	277.62	217.74	249.38
Finland (21)	111.90	+0.1	84.99	93.02	86.83	84.76	+0.5	3.32	111.83	84.59	92.19	86.31	84.36	152.29	90.61	149.87
France (113)	146.58	−0.1	111.33	121.84	113.73	116.86	+0.5	3.54	146.75	111.01	120.96	113.25	116.31	168.85	121.85	144.73
Germany (88)	125.35	+1.5	95.20	104.20	97.26	97.26	+2.1	2.34	123.44	93.37	101.76	95.27	95.27	144.63	101.38	128.75
Hong Kong (48)	141.22	−0.4	107.26	117.39	109.58	141.29	−0.4	4.75	141.74	107.22	116.83	109.40	141.81	147.49	112.24	122.00
Ireland (16)	164.65	−0.8	125.06	136.87	127.76	129.86	−0.4	3.52	166.03	125.58	136.85	128.14	130.44	198.57	132.88	188.35
Italy (91)	87.53	−0.7	66.48	72.75	67.91	73.18	−0.2	3.45	88.19	66.71	72.69	68.06	73.34	109.26	72.05	95.79
Japan (453)	145.91	−0.7	110.82	121.28	113.23	121.28	+0.1	0.71	146.97	111.17	121.14	113.44	121.14	197.28	108.58	180.43
Malaysia (34)	229.48	+0.5	174.30	190.75	178.06	238.28	+0.6	3.17	228.33	172.71	188.20	176.21	236.77	250.89	182.96	245.32
Mexico (12)	603.30	+0.9	458.21	501.48	468.13	1961.03	+0.9	0.35	598.17	452.47	493.06	461.66	1944.38	613.96	324.53	375.00
Netherland (41)	144.04	−0.2	109.40	119.73	111.77	110.58	+0.4	4.86	144.27	109.13	118.91	111.35	110.13	149.03	125.70	135.78
New Zealand (15)	50.62	−1.5	38.45	42.08	39.28	44.36	−1.4	7.66	51.38	38.86	42.35	39.65	45.01	75.36	41.18	66.38
Norway (30)	210.83	+0.1	160.13	175.25	163.59	166.76	+0.5	1.67	210.59	159.29	173.59	162.53	165.85	276.79	182.24	237.42
Singapore (25)	191.34	−0.2	145.32	159.05	148.46	151.57	+0.2	2.74	191.62	144.95	157.95	147.89	151.31	209.24	147.24	197.62
South Africa (60)	198.59	+1.4	150.83	165.07	154.09	138.91	+1.4	3.92	195.91	148.19	161.48	151.20	137.04	251.39	151.60	216.05
Spain (41)	165.19	−0.6	125.47	137.32	128.18	116.26	−0.3	4.88	166.26	125.76	137.05	128.32	116.57	182.25	128.54	153.51
Sweden (27)	185.40	+0.8	140.81	154.11	143.86	152.74	+1.1	2.68	183.95	139.14	151.63	141.97	151.00	234.93	146.60	179.23
Switzerland (65)	99.74	−0.9	75.75	82.91	77.40	79.15	−0.4	2.61	100.67	76.15	82.99	77.71	79.45	109.77	82.17	96.70
United Kingdom (296)	181.19	−0.7	137.61	150.59	140.58	137.61	−0.3	5.10	182.40	137.97	150.33	140.76	137.97	182.40	139.87	158.01
USA (526)	149.55	+0.1	113.59	124.32	116.05	149.55	+0.1	3.30	149.35	112.97	123.12	115.28	149.35	149.55	119.06	132.78
Europe (940)	149.13	−0.1	113.27	123.96	115.72	114.83	+0.4	4.07	149.28	112.92	123.05	115.22	114.41	157.65	124.91	140.87
Nordic (110)	191.44	+0.9	145.40	159.13	148.55	147.29	+1.3	2.03	189.75	143.53	156.41	146.44	145.42	223.29	155.55	188.57
Pacific Basin (650)	144.93	−0.7	110.07	120.47	112.46	121.27	+0.1	1.04	145.92	110.38	120.28	112.62	121.15	192.75	107.82	176.90
Euro – Pacific (1590)	147.01	−0.4	111.66	122.19	114.07	119.39	+0.2	2.30	147.66	111.69	121.71	113.96	119.14	174.18	116.03	162.70
North America (642)	148.87	+0.1	113.07	123.76	115.53	147.38	+0.1	3.30	148.71	112.49	122.59	114.79	147.21	148.87	119.26	133.04
Europe Ex. UK (644)	129.34	+0.3	98.24	107.54	100.38	101.41	+0.8	3.31	128.93	97.53	106.30	99.53	100.58	145.62	106.85	129.15
Pacific Ex. Japan (197)	132.54	−0.2	100.66	110.18	102.85	116.90	−0.1	5.28	132.77	100.43	109.45	102.48	117.05	146.72	111.40	134.37
World Ex. US (1778)	147.55	−0.4	112.06	122.65	114.49	119.98	+0.2	2.35	148.16	112.07	122.13	114.35	119.73	173.77	117.12	162.51
World Ex. UK (2008)	143.75	−0.2	109.18	119.49	111.55	128.40	+0.2	2.38	143.99	108.92	118.70	111.14	128.09	162.00	115.37	150.21
World Ex. So. Af. (2244)	146.76	−0.2	111.46	122.00	113.88	129.22	+0.2	2.67	147.10	111.27	121.27	113.54	128.99	161.84	118.04	150.49
World Ex. Japan (1851)	149.12	+0.0	113.26	123.97	115.73	133.41	+0.2	3.68	149.08	112.76	122.89	115.07	133.12	151.59	124.31	137.16
The World Index (2304)	147.07	−0.2	111.70	122.25	114.12	129.29	+0.2	2.68	147.40	111.49	121.50	113.77	129.05	162.05	118.33	150.89

Latest prices were unavailable for this edition.

BUSINESS LAW

Question mark over swaps

By Derek Wheatley QC

THERE HAS now been time to digest the effect of the House of Lords judgment in the Hammersmith and Fulham swaps case delivered on January 24.

Hammersmith and Fulham council had become involved in heavy dealing in "swap" transactions with several banks. At first it did well, and encouraged, invested more heavily. When the council realised that other transactions were likely to show heavy losses it invested still more and and continued to lose, until it faced a potential loss of £500m.

At this stage the District Auditor, Mr Hazell, stepped in and raised a query. Was the council entitled to deal in this market at all? He suspected it was not. It was not long before the council realised that it would be to its advantage if the District Auditor was right because it might then have no need to pay up.

The real contestants in the case which followed were the parties to the swaps deals – the council and several banks with which it had dealt.

The House of Lords unanimously reversed the decision of the Court of Appeal which had itself, with equal unanimity, reversed the decision of the High Court on the main point.

Was it *ultra vires* (outside its powers) for a local authority to deal in the sophisticated swaps market when such dealing can be likened to gambling?

The Divisional Court had held in November 1989 that all such dealings by a local authority were illegal since it was outside its powers. The Court of Appeal said that this was not so in every case and legality depended on the object of the council official at the time of the deal.

If the object was money management, the deal was in order since this was a proper function of a local authority. If the object was to make a profit it was *ultra vires* since making a profit in the financial markets is not a permissible council function.

The Court of Appeal's decision was hailed as a triumph for common sense; but is com*mon sense the law? In this case* the House of Lords rejected emphatically the Court of Appeal's decision and reinstated the decision of the Divisional Court. No swap dealing was within the powers of the council.

It had taken the law more than 14 months to reach this conclusion, not counting the time it took for the case to come to court at the beginning. No less than 10 senior judges were involved and each appellate court disagreed with, and reversed, the decision of the previous court which had included, in each case, some of Britain's most distinguished judges.

It was Mr Bumble in Oliver Twist who said, "If the law says that sir, the law is an ass – an idiot." What would Mr Bumble have said about the Hammersmith and Fulham case?

One has to remember that the dealers in this market may have only a few minutes to decide whether or not to accept a bargain. It is usually offered to them by an intermediary, a money broker. The dealer may not know the identity of the other party. In any event he will have little time to ponder on the powers of an apparently respectable council professing to have contractual capacity to enter into the bargain. He may have no time to take legal advice, and, if he did so, one is left to wonder how correct it would have been in view of the differing views of the judiciary itself.

It was Mr Bumble in Oliver Twist who said, "If the law says that sir, the law is an ass — an idiot." What would Mr Bumble have said about the Hammersmith and Fulham case?

To understand the case it is necessary to know what a swap transaction is. In its simplest form it is a deal between a customer, who agrees to pay a bank a fixed rate of interest periodically to a given maturity date, in exchange for receipt of a floating rate on the same sum over the same period.

The floating rate is usually Libor, the London Inter-Bank Offer Rate, which varies daily and is influenced by economic and political factors. If Libor goes up the customer will do well, but if it drops he will do *badly and the bank will gain.*

So is it all a question of "taking a view" – or taking a chance? Perhaps it is not so very different from trying to decide which horse is going to win the 3.30 – but is it also not at all different from some investments on the stock exchange – or from some established forms of insurance.

The Law Lords said that a swap transaction "... is more akin to gambling than insurance". But if this is correct, it would surely apply to every swap transaction, and not just those involving a council.

We all know that gaming contracts are unenforceable. But does it end there or can an element of chance in any commercial bargain be said to make it a gamble so that the loser does not have to pay?

There is an element of chance in many commercial deals which could not possibly, at least before the Hammersmith and Fulham case, have been categorised as gambling. After all, the experts claim a good deal of skill in their ability to forecast the future trends in interest rates. If this is "akin to gambling", what of the proud parent-to-be who "insures against twins" in the early stages of his wife's pregnancy?

Since the early 1980s the *swaps market has developed* and prospered. There are intricate variations from the simple back-to-back, or "vanilla" deal, which are seen to provide a comprehensive and valuable method of hedging against changes in interest rates. They are made use of by many of the treasurers of the biggest multinational companies who are far removed from the usual concept of gamblers.

The decision leaves many questions unanswered. In the Court of Appeal it was said "... it might now be hard to find counterparties willing to deal in this market with the Hammersmith and Fulham Council or, perhaps, with any other local authority."

After the House of Lords' decision there must be a question mark over the whole of *this* and, perhaps, some other markets. Yet dealing goes on. Often, foreign banks are involved and they now feel, understandably, confused and lack confidence in dealing in London, when they can deal with full confidence elsewhere.

None of this helps to maintain London's position as the leading financial capital of Europe which the City is trying so hard to maintain.

The Law Lords could not decide about the thousands of transactions negotiated between banks and many other local authorities since 1980. In most of the cases, unlike the Hammersmith and Fulham case, the banks have been the losers. Can they now recover their money from the councils who had no power to and should not have entered into the transactions in the first place?

Money paid under a mistake of fact is usually recoverable but money paid under mistake of law is not. The House of Lords did not say which this was and mistakes of both fact and law may have been involved.

The Law Lords were not concerned with the other deals and, even in the case before them, gave little help as to past *transactions. Lord Templeman,* who gave the main speech, said: "It may not follow that as between the council and the banks, payments made by the council before or after the interim strategy can be recovered by the council. Nor does it follow that payments received by the council before or after [that] period cannot be recovered by the banks. The consequences of any *ultra vires* transaction may depend on the facts of each case ..."

It seems clear that litigation over the many deals which may now be disputed will go on for years. Unless, that is, Parliament intervenes as rapidly as possible. It could even be that this is a case for retrospective legislation to clear up the entire mess.

Third parties may deal with confidence with a company under the Company's Act 1989. Section 35A provides that "... the power of the board of directors to bind the company, or authorise others to do so, shall be free of any limitation under the company's constitution".

All corporations, apart from those which are by their nature charitable or trust bodies, *should be brought into* line. They should all be bound by bona fide transactions with others and prevented from avoiding their obligations when things go wrong.

The author is a member of the Joint Bar Council/Law Society Working Party on Banking Law.